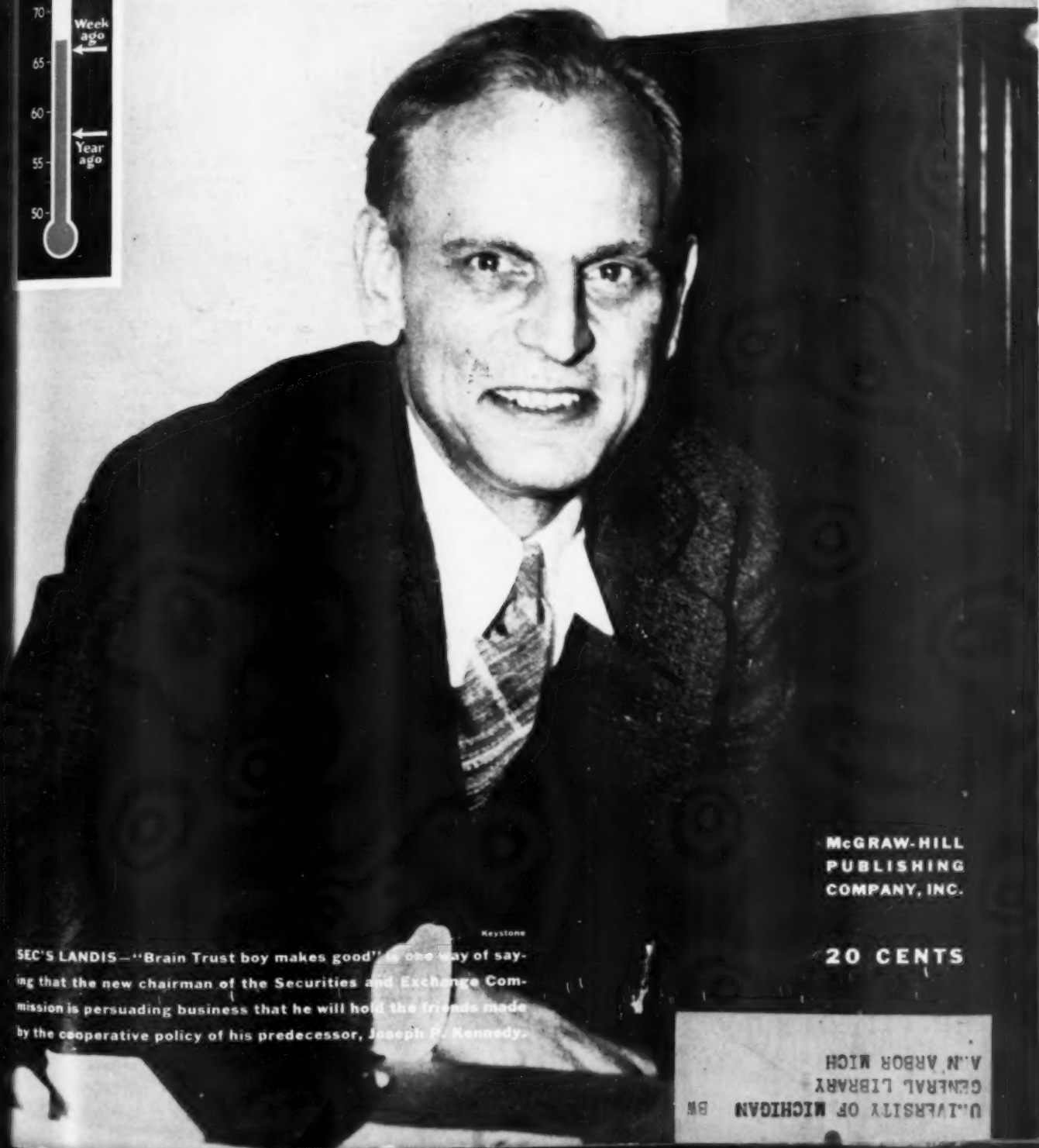
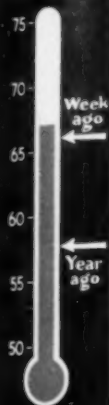


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BUSINESS WEEK

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BUSINESS
INDICATOR



Keystone

SEC'S LANDIS—"Brain Trust boy makes good" is one way of saying that the new chairman of the Securities and Exchange Commission is persuading business that he will hold the friends made by the cooperative policy of his predecessor, Joseph P. Kennedy.

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S WEEK

Here's How Mr. Davidson Bought His Low-Priced Truck..

He says, "I'm saving from \$8 to \$10 a month on Gasoline alone by switching to..."



HELLO!... THIS IS MR. DAVIDSON... I HEAR DODGE TRUCKS GIVE MORE MILES PER GALLON OF GAS.. CAN YOU SHOW ME WHY?

HERE'S WHAT HIS DODGE DEALER REPLIED...

"Sure... that's what we Dodge dealers are here for... I'll be right over with a 'Show-Down' Score Card so you can check all the low-priced trucks for yourself in your own office feature by feature."



HERE'S THE TRUCK MR. DAVIDSON BOUGHT
Dodge Commercial Panel, 119' w. b., 6-cyl. — 18 high-priced, money-saving features — priced with the lowest.

HERE'S WHAT MR. DAVIDSON SAYS...

"As soon as I learned that the Dodge engine has all those extra money-saving features, I figured a Dodge truck was bound to cost me less for gas and oil than either of the other two lowest-priced trucks. And I was right... I'm saving \$8 to \$10 a month on gasoline alone since switching to Dodge... not to mention the money that hydraulic brakes and all those other Dodge features save me on tires and upkeep."

S. Davidson
CHICAGO, ILL.

DODGE!"

HERE'S the way to be sure of getting the right truck for your job! Buy your next low-priced truck the same businesslike way that Mr. Davidson did! Do the buying yourself on value only. Just take the Dodge "Show-Down" Score Card and check all of America's low-priced trucks. Ask yourself, "What does this truck have? What features are built into it that will save me money?"

When you buy this way—strictly on what you get for your money, there is only one truck for you—Dodge. For example, only Dodge of America's 3 lowest-priced trucks gives you hydraulic brakes. Only the Dodge engine gives you the gas and oil saving combination of exhaust valve seat inserts, spray-cooled exhaust valve

seats, 4 piston rings instead of 3, full-length water jackets, and a factory installed oil filter. Those are only the first few on Dodge's list of finer money-saving features.

You don't have to be an engineer to understand these Dodge finer features! You don't need to be an accountant to figure how much less money your Dodge truck will cost for gas, oil, repairs, tires and upkeep. Your Dodge dealer will be glad to give you a "Show-Down" Score Card free and without obligation. See him today!

DODGE DIVISION OF CHRYSLER CORPORATION

*List prices at factory, Detroit, subject to change without notice. Special equipment, including dual wheels on 1½-ton models, extra. Time payments to fit your budget. Ask for the official Chrysler Motors Commercial Credit Plan.

Dodge 1½-ton **\$595***
chassis and cab,
6 cylinders, 137" wheelbase.
With 9-foot stake body as
pictured, \$680*.



Dependable

DODGE TRUCKS

BUSINESS WEEK

Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—Back at White House next Thursday, President Roosevelt will quietly resume fight toward his political and economic objectives—unchanged since his 1932 speeches despite convictions of some business men that he turned definitely to right with "breathing spell" statement, persuasion of many farmers by his recent AAA speeches that he is all for them, and gratification of Sinclairites and Townsendites that he is swinging in their direction.

Taxes, due to obvious political expediency may go over till after election, but they will come later and will bear on big corporations if President has his way. Also, despite soothing words of Power Chairman McNinch, expansion of government power activities will continue and holding company act will be strictly enforced.

Still Wants Same Things

President's unchanged economic philosophy is worth restating: No large profits, no speculative profits whatever, elimination of big surpluses ("sterile accumulations"), raising little fellow and pulling down big one toward new broad, common level—with planned economy under government control just over horizon. All except the planned economy to be accomplished largely through taxes—on incomes, inheritances, corporations.

Congress Slipping the Noose

Congress, however, promises to be harder to control in January. Senators and representatives, arrived back home, found President had slipped tremendously, especially north of the Ohio and east of the Mississippi. Tendency of many will be to play to home sentiment. Up to now, it has been to risk everything on Roosevelt's pulling them through.

Writing Down Railroads

ICC and RFC will soon start a strong push on railroad reorganization. They hope to use Missouri Pacific reorganization as yardstick. Idea there is to force writing down of funded debt to figure where average earnings since 1930 would be several times bond interest on proposed new issues at 3% to 4%. They hope to apply same procedure to many other roads now having difficulty earning bond interest but with bonds selling at absurdly high yields.

Seeks to Cut Rates, Fares

Roosevelt is expected to fight for rail reorganization plan on return, insisting that new low-interest bonds will be made more attractive to in-

vestors, as well as better for public in long run, by including sinking fund feature for retirement. President's primary concern is to scale down railroad capitalizations so eventually rates and fares can be reduced.

Miracle Road

Norfolk & Western is not only astounding railroad world by constructing new line—some 40 miles from Grundy (75 miles west of Bluefield, Va.) up Dismal Valley—but is flabbergasting financial circles by not borrowing money from government to do it. Third surprise is that, with coal supply far in excess of demand, new line, costing \$3.5 millions, is to reach new coal veins. Explanation—new veins are richer, bigger, and hence more economical to operate.

Laying for Insurance Men

Embarrassment to some prominent insurance men is promised by Wheeler railroad investigation early in February, when Senator returns from his Philippine junket. Associates say he has data showing insurance officials profited in railroad security flotations. Wheeler has been threatening railroads since before his Daugherty investigation when he charged Senator Bruce of Maryland had been elected by carriers.

Munitions Explosion Due

War munitions fireworks are scheduled even sooner, for in January Senator Nye resumes his old probe which has proved so disconcerting to many international figures. This time, stage is set to show big American munitions

makers have been shipping their wares to Italy under false labels and contents declarations. State Department is supposed to have supplied him with information about similar shipments to South American belligerents.

Latest Relief Split-up

President saves \$519 millions of \$4-billion work relief appropriation by putting WPA on 8-month, instead of 12-month, basis. Paring other allocations will increase savings to approximately \$686 millions. Allotments of \$3,314 millions are divided thus: WPA, \$1,140 millions; PWA, \$341.9 millions; PWA slum housing, \$100.2 millions; Resettlement Administration, \$237 millions; CCC, \$597 millions; roads, \$300 millions; grade separation, \$200 millions; reclamation, \$81.1 millions; other federal projects, \$316.8 millions.

To Keep Corn-Hog Control

Despite shortage of pork, corn-hog control will continue. Reason: AAA wants to keep hand on throttle against year after next, when production might run amuck. Referendum Oct. 26 will show substantial majority to insure next year's program. Actually, lack of breeders will prevent sharp increase next year. Total could reach only 82% of 1931-1932 production, which is base. AAA is figuring plan to permit 90% of that base in any individual area, which spells actual increase of 30%.

—And Stop Pig Shift

AAA wants to prevent shifting of pork production areas, which might result from taking off limitations now. Eventually areas in cotton belt could increase pork production enormously. Hence imposition of percentages.

New Hot Oiler

Hot oil promises more scalding. Former Representative James A. Frear, 74-year-old Wisconsin Progressive, is new chairman of Federal Tender Board responsible for holding down lid in East Texas on interstate shipments. Frear owes his job to Louis Glavis, Ickes' No. 1 G-man. Enforcement depends on cooperation with Attorney-General Cummings, who, back in 1919, denounced Frear's investigators of wartime expenditures as "smelling committee."

To Get Glavis, Get Ickes

Oil industry thought Glavis had been called off by Ickes. But Glavis does as he pleases and for mysterious reasons Ickes brooks disobedience from him. Oil people conclude only way to get rid of Glavis is to get rid of Ickes. But Roosevelt likes Ickes.

PRICES PROVE IT

As flour advances \$1.50 per bbl. and price of bread goes up, Washington realizes accuracy of Business Week's exclusive prediction (BW—Aug 10 '35) that effect of black rust on millable wheat was worse than reported.

The "Radio Honeymoon" is Over

TODAY people no longer listen out of sheer amazement at radio's miracle. They refuse to come to the show unless it is good.

Building an audience of millions calls for showmanship that entertains—and sells. It is this type of salesmanship in showmanship that gets and holds the big profits. It has enabled us to deliver commercial messages for as low as \$1.00 per thousand actual listeners.

Just a few months ago, a Lord & Thomas radio program sold \$700,000 worth of one drug product alone in ten days. For another of our clients, a radio program on four stations sold so much goods that the manufacturer had to reopen a factory unit this Spring, which had been closed for years.

Usually, to play safe, we let the thousands decide what the millions will like. Thus, recently we tested an utterly new type of daily strip show. Announcements on five consecutive days over a 5,000-watt test station brought 64,000 sample requests. So we are not surprised that, after only a few months, it is the most popular daytime sponsored show on the network, according to independent surveys.

Some radio "firsts" credited to Lord & Thomas (NAMES ON REQUEST)

It has been said that Lord & Thomas pioneered more new things in radio than all the other agencies combined. Those credited to us are listed briefly below:

1. **First Daily Radio Contest of National Scope**
Averaged 10,000 one-dollar sales a day for months.
2. **First Daily Network Strip Program**
Started a new commercial program technique.
3. **First to Rebroadcast Commercial Program**
Repeat same program late at night for Far West coverage.
4. **First Big Hit Variety Musical Show Sponsored on Network**
Set the pattern for big commercial musical production shows in radio.
5. **First Commercial Broadcast of Metropolitan Opera Series**
6. **First Commercial Series of Pick-ups of Foreign Dance Orchestras**
7. **First Sustained Commercial Series of Spot Pick-ups**
Artists and orchestras from all over the country on same program.
8. **First Authentic Police and Dept. of Justice Dramas**
9. **First in Number of Contest Returns**
1,800,000 forty-cent purchases in 2 weeks.
10. **First Chain Sponsorship of Football**
11. **First Network Daytime Serial Show to Women.**

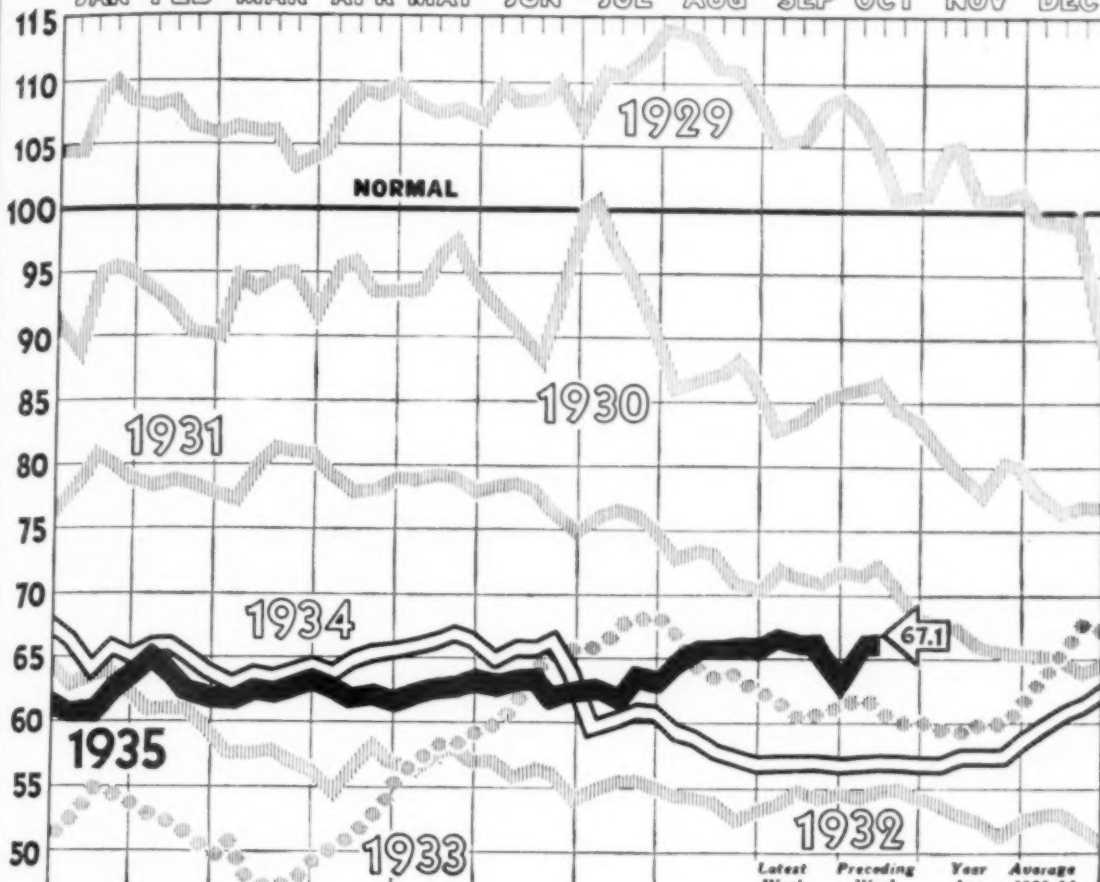
Talent which was first sponsored or popularized nationally through us—Amos 'n' Andy; Bing Crosby; Eddie Duchin; Hal Kemp; Walter O'Keefe; Phil Cook; The Goldbergs; Rosario Bourdon; Donald Novis; Fred Astaire; Lum and Abner; Al Goodman; The Revellers; Walter Winchell; Jack Pearl; Clara, Lu and Em; The Cavaliers, and B. A. Rolfe.

LORD & THOMAS • *advertising*

There are Lord & Thomas offices in New York; Chicago; Los Angeles; San Francisco; Toronto; Paris; London. Each office is a complete advertising agency, self-contained; collaborating with other Lord & Thomas offices to the client's interest.

WEEKLY INDEX OF BUSINESS ACTIVITY

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC



BUSINESS WEEK INDEX

PRODUCTION

* Steel Ingot Operation (% of capacity)	50.4	49.7	22.8	32.2
* Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	\$6,920	\$6,446	\$4,612	\$7,626
* Bituminous Coal (daily average, 1,000 tons)	*1,145	1,279	1,182	1,243
* Electric Power (millions K.W.H.)	1,867	1,863	1,657	1,632

TRADE

Total Carloadings (daily average 1,000 cars)	118	105	105	122
* Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	75	73	68	79
* Check Payments (outside N. Y. City, millions)	\$3,537	\$4,332	\$2,947	\$3,663
* Money in Circulation (daily average, millions)	\$5,710	\$5,696	\$5,469	\$5,300

PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.23	\$1.22	\$1.03	\$0.69
Cotton (middling, New York, lb.)	11.24¢	11.33¢	12.58¢	8.94¢
Iron and Steel (STEEL, composite, ton)	\$32.86	\$32.83	\$32.09	\$30.85
Copper (electrolytic, Connecticut Valley basis, lb.)	9.250¢	9.083¢	9.000¢	8.010¢
All Commodities (Fisher's Index, 1926 = 100)	85.8	85.6	79.1	72.7

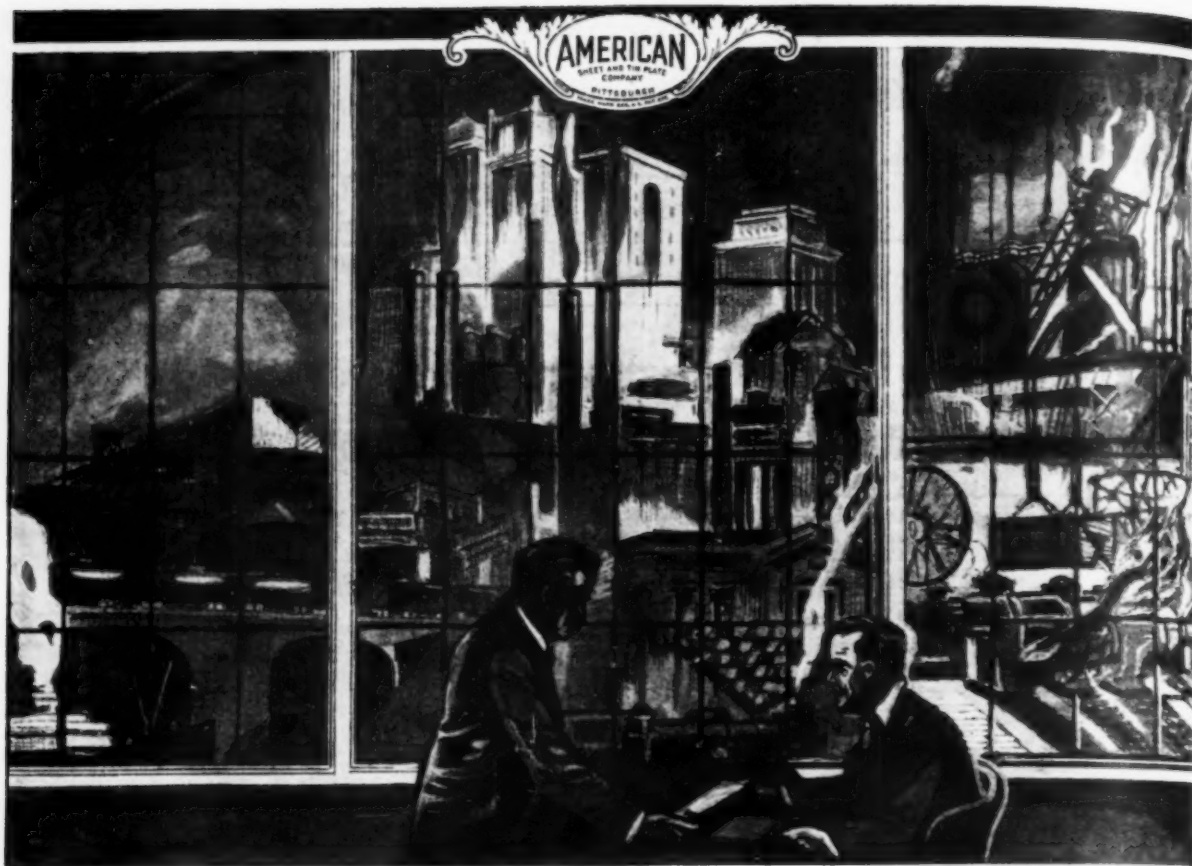
FINANCE

Federal Reserve Credit Outstanding (daily average, millions)	\$2,485	\$2,478	\$2,453	\$2,012
Loans and Investments, Federal Reserve rep't'g member banks (millions)	\$19,043	\$19,080	\$17,824	\$17,099
* Commercial Loans, Federal Reserve reporting member banks (millions)	\$4,579	\$4,570	\$4,759	\$5,000
Security Loans, Federal Reserve reporting member banks (millions)	\$2,924	\$2,986	\$3,055	\$3,542
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$945	\$1,005	\$823	\$756
Stock Prices (average 100 stocks, Herald Tribune)	\$107.12	\$105.67	\$96.90	\$105.52
Bond Prices (Dow, Jones, average 40 bonds)	\$95.66	\$95.80	\$93.23	\$88.15
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	1.4%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1%	1%	1-1%	1.8%
Business Failures (Dun and Bradstreet, number)	174	207	267	404

* Factor in Business Week Index * Preliminary † Revised ‡ 1932-34 average § New series.

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BUSINESS WEEK



To assure Good Results— *Specify—* **GOOD SHEETS**

A reputation for excellence has been earned by AMERICAN Steel Sheets and Light Plates. These products are well made, and are up to highest quality standards — the kind that pleases the industrial buyer and user, also the architect, builder, sheet metal worker and property owner. Demand these sheets for heating, ventilating and air-conditioning systems, and all forms of sheet metal work. Supplied in Black and Galvanized Sheets, Special Sheets, Tin and

Terne Plates for all purposes. KEYSTONE Copper Steel offers maximum rust-resistance—and USS STAINLESS Steel Sheets and Light Plates are adapted to a wide range of utility.

For workability, durability, and satisfaction standardize on AMERICAN products. If in doubt about the best specification for a particular use, do not hesitate to ask advice — which will be gladly given. AMERICAN products are sold by leading metal merchants. Send for literature.

AMERICAN SHEET AND TIN PLATE COMPANY, Pittsburgh, Pa.

Steel Sheets are also manufactured in the South by
Tennessee Coal, Iron & Railroad Co., Birmingham, Ala.



Sheets and Tin Plates produced on the Pacific Coast
by the Columbia Steel Company, San Francisco, Calif.

Sales Offices in principal cities.

Export Distributors for above Companies — UNITED STATES STEEL PRODUCTS COMPANY, Hudson Terminal Building, 30 Church Street, New York, N.Y.

United States Steel  *Corporation Subsidiaries*

The Business Outlook

AS the conviction grows that the Ethiopian trouble will be pretty well localized, business turns its attention again to an appraisal of the domestic situation. Here it finds the motor industry resuming its dominant industrial rôle—a position it will continue to hold for the next 6 months. Detroit is humming with increased activity; employment is gaining in heavy industries; last quarter carloadings are expected to build up a fair margin over 1934 as automobile, steel, lumber and machinery shipments increase. Retail sales, particularly in Eastern and West Coast areas, are perking up in comparison with earlier months this year. And electric power production continues to climb to still higher peaks.

Industrial Conditions Sound

At 50% of capacity steel production is holding its own, despite the fact that large volume orders from Detroit have been slow. These are bound to pick up in the next few weeks, when all major producers have announced their new models and prices. Then they are likely to come with a rush—and with all buyers clamoring for prompt delivery. Despite large stocks on hand, coal production has practically regained the smart pace it was holding before the strike. Construction, especially residential, is scheduled for a big push in the next 12 months; even the steel industry counts on getting some of the small homes business. Commercial loans are expanding; business failures have struck a new low for the year.

Machine Tool Lull

September machine tool orders dropped below those of the preceding 3 months. Observers say the lull may be explained in part by the inevitable slackening in the selling activities of individual manufacturers as the whole industry concentrated its attention on promoting the values of plant modernization—a sales investment in terms of the long pull. Then, too, many orders booked at the show were not confirmed until this month, will help swell October's total at September's expense. Foreign orders were less than half of August's total, probably because the bulk of business to Italy was completed some weeks ago. The industry is speculating on the possibility of hearing from other European countries in the near future if tension abroad continues.

Business Machines Aim at '29

Office equipment makers who are exhibiting their products in New York this week expect 1935 to bring back 1929 sales levels. September

STRIKING STATEMENTS

In the slowly swelling stream of 9-month earnings statements now appearing, 2 stand out: that of General Electric, whose sales of \$149.2 millions, 23% greater than for the comparable months of last year, brought with them profits 26% larger than in 1934; that of Westinghouse Electric, whose sales of \$92 millions, 33% greater than in 1934, turned a loss of \$363,787 into the neat profit of \$8.8 millions.

typewriter sales of L. C. Smith and Corona were reported the largest in the history of the company. National Cash Register sales last month were 26% ahead of last year. Plants are working full time, in some cases 24 hours a day, to supply demand. A big replacement market, new and improved devices, and substantial government business account for the encouraging sales picture.

Steel Eyes Canned Beer

For their success this year in maintaining output, steel manufacturers can give some thanks to machine tool and business equipment sources. Demand has also been strong from farm equipment, refrigerator, washing-machine, stove, barrel, and kitchen utensil makers, to say nothing about the can manufacturers who are aggressively promoting the canned beer idea. Steel producers have been watching these moves closely, but are just now beginning to realize what a field for steel lies ahead. Beer consumption for 1936 is estimated at 48 to 50 million barrels, of which 70% will be draught beer and the balance bottled or canned in 5 billion containers. Can makers have set as their goal 1½ billions of these containers.

—And Cars and Carriers

Greater steel tonnage is also promised by the motor industry in 1936. Not only are cars heavier—the steel top alone adds 30 pounds per car—but automobile manufacturers

are setting production schedules substantially higher for 1936 than 1935. Again, if the Navy is built up to treaty strength, there will be good tonnage ahead from this quarter. And finally, better traffic volume may force railroads either to install new equipment or repair the old. Air conditioning of railroad cars is already being looked upon not as a luxury but as a necessary expense for a carrier that wants to stay in the competitive swim.

Motor Pickup Slow

September motor production and sales records so far available confirm the early predictions that the month would be a dull one. The Automobile Manufacturers Association (which does not include Ford) reports that its members built only 57,860 cars and trucks last month compared with 179,918 in August, a 68% decline. General Motors sales to consumers fell below a year ago—first month that's happened this year—and were less than half those sold in August. Despite the slow increase in October production activity, dealers will have a fair supply of cars on hand by show time in early November. General Motors has reduced prices on 4 lines of its higher priced cars—Buick, Oldsmobile, Cadillac, and LaSalle. Public interest, however, centers primarily on the price schedules of the "Big 3."

Retail Sales Improve

More complete returns on merchandise distribution last month indicate that retail sales were somewhat better than had been expected—certainly they were far from being as disappointing as one erroneous report last week must have suggested. Spiegel, May, Stern's September sales were not off 42% as reported, but up 42%. Rural retail sales generally gained 30% over August, lifting the adjusted sales index to its highest point for any month since May, 1930. In the department store field, September sales on both seaboards were up substantially over 1934, a development that the weekly records on check transactions had forecast. Possibly as a result of continued warm weather, store business throughout the Central States compared less favorably with last year in September than it had in August.

Retail Price Advance

Retail prices of department store commodities have advanced for 2 consecutive months, according to Fairchild's index. Prospects are that when retailers get in their new supplies this winter, they will either mark up retail prices to cover recent advances in wholesale markets, or offer lower quality goods.



Long Distance saves legwork and lobby-sitting for salesmen

SEVERAL YEARS AGO, Chicago Pneumatic Tool Company found that entirely too much of their salesmen's time was wasted waiting for interviews. "How," asked officials, "can we cut down this waste, cover more territory, find time for *new* prospects?" All three questions were answered by a systematic telephone plan prepared with the help of the telephone company.

Now, descriptive literature, personal letters, and samples are sent out before sales trips. As he travels, each salesman telephones ahead from selected key towns to arrange appointments. The telephone does *not* replace the personal demonstrations that this company's products demand. But it *does* reduce waiting time to a minimum, avoid useless visits, and provide a courteous contact that customers appreciate. And it has

increased coverage from 4 to 11 towns per salesman per week!

Similarly, company salesmen follow up prospect leads with telephone calls from strategic points along their routes. Every inquiry is answered promptly and personally. In this way, productive leads are sorted out from the worthless ones, and appointments made without waste motion. Says the sales manager, "When our telephone bills went up, selling costs came down. It was one of the best investments we ever made."

Long Distance is applicable to the individual needs of virtually every business. Your local telephone company will be glad to help you discover how this service can best be used by your business — in production, traffic, credit, accounting, sales. Just call the Business Office.



OCTOBER 19, 1935

Detroit Looks at 1936

Automobile industry's preparations for new season reflect its forecast for next year: big sales volume, hot competition, widespread plant modernization to cut costs and get ready for drastic changes later.

DRIVING into Detroit these days, visitors see strange sights for what heretofore has been a "fag-end" automotive month. They pass dozens of "truck-ways" carrying shiny new cars to dealers and have to cut around trucks loaded with steel and other commodities headed for motor car plants. Southern Michigan motor factories are beehives of activity, with employment up, many departments working extra shifts. Inside the grounds of car manufacturers are high stacks of materials and parts awaiting either fabrication or assembly. The automotive production machine again is in high gear.

Rush of New Models

All of which means that a new car season, advanced 2 months from previous years, is at hand. Public announcements of new models, which began on Sept. 28 with Buick and Packard, have since included Cadillac and LaSalle. Today 4 more companies are "in the open" with 1936 offerings—Ford, Pontiac, Dodge, Oldsmobile. Plymouth and Hudson will join the procession on Oct. 26, but others will hold their sales ammunition until Nov. 2 when Grand Central Palace opens its doors for another New York automobile show.

Like Buick, Cadillac and LaSalle have made price "readjustments" to enable them to widen their markets and gain much-needed volume. Cadillac has a Series 60 at \$1,645, or \$700 under its lowest-priced 1935 car. The Sixty is designed to give the motorist Cadillac quality and prestige in a car size convenient for city driving. It has a new 125-horsepower V-8 engine capable of road speeds of 90 to 100 miles per hour, has double anti-sway stabilizers. Turret top, sides, and rear floor are of steel.

The new LaSalle, in 4 body styles, continues the slim, smart appearance of the past year's models, is priced at \$1,175 to \$1,255, a reduction of \$50-\$70. Cadillac-Fleetwood V-8's, V-12's and V-16's will be the first custom-built cars with steel top construction.

Ford is presenting his 1936 car, whose announcement and price tag attracted wide attention, in 10 de luxe and 3 standard models with V-8 engine unchanged. The hood now extends down over a new radiator grille, the lower end of which is rounded and blends with the curve of the fenders. New steel wheels have drawn-steel spoke sections welded to the rim, making each wheel 5 lb. lighter than its

wire spoke predecessors. A new transmission provides helical gears in low and reverse speeds, as well as in second and high.

Oldsmobile, whose 1935 car has been widely imitated for 1936, has made only minor changes but has reduced prices up to \$57.50 on its 8 and \$17.50 on the 6.

Pontiac is presented in 19 body models, the 3 series of straight 8's, de luxe 6's and standard 6's being continued. The "silver streak" radiator and hood grille remains the basic style motif. Salesmen will build their persuasive stories around the idea that the Pontiac is "built to last 100,000 miles."

Showtime Adjectives

Dodge, grasping for superlatives to characterize its new products, calls them an "ensemble of racy slenderness." It has 7 body styles, with 2-door sedans possessing full-width front seats hinged in the middle to permit either side to be folded down to admit passengers into the rear. Plymouth, holding back details of its new cars for another week, admits that its 1936 models will have a newly-designed stronger frame.

Interest over the expected appearance at the New York show of Auburn's custom-built car powered by a Cummins diesel engine was doused this week by announcement that "Auburn has decided not to bring out a diesel-powered passenger car at this time." Car makers generally haven't made major changes for this year, because (a) 1935 models took well with the public and the market ahead looks good, so they think the best thing is to let



NEXT YEAR'S CARS—With the New York automobile show only a fortnight away, 1936 models begin to roll off production lines 2 months earlier than they used to. This week, Ford led

the "Big 3" into the open market, and the first Plymouth was getting its final inspection, preparatory to its public bow Oct. 26. G.M. is not expected to unveil the new Chevrolet till Nov. 2.

Business Week

well enough alone, (b) the switch to fall announcements left little time for retooling compared with previous years, (c) individual companies were anxious to get off to a good production start for 1936 without fear of tieups while mastering new shop processes. Says Pontiac's courageously frank chief, H. J. Klinger, "The upturn in business is a natural impetus which will carry sale of cars to greater heights in 1936 without necessity for basic changes in design at this time."

Trend Indicators

Among the mild changes, some trend indicators may be found. Cars are coming heavier, the increased weight ranging from 50 to 175 lb. Interiors of bodies are longer and wider, with better upholstery and a touch of color to knobs, handles, and trimmings through substitution of plastic molded products for steel. Emergency brakes are being moved to the left on the dash. The steel top has gained converts. It will be on all Chrysler cars, except Plymouth, in the form of a welded insert; Reo and Graham-Paige have come in; Studebaker is reported in. General Motors, Hudson and Nash were among the first advocates of the steel roof.

Independent springing stands "as is" with no more or fewer cars using it than last year. There will be knees on all G.M. cars except the Standard Chevrolet and Standard Six Pontiacs. The Packard 120 and the Chrysler and De Soto Airstream models will keep their coil springs.

Convinced that 1936 will bring substantial sales gains, car manufacturers are on the verge of pouring millions into advertising and sales promotional campaigns, in some cases have enlarged factory field staffs to handle better the expected business. Sales quotas for next year are sharply up (Pontiac 225,000; Buick 135,000; Plymouth 500,000; Packard 79,000). With Chevrolet determined to regain first place (which already is conceded to Ford for 1935) and Plymouth hitting a new high, a first-class battle is pending in the low-price field. An even stiffer free-for-all is in the making in the lower-medium-price market. In fact, automotive competition the coming year promises to be the hottest on record.

After Early Start

Experience has proved that manufacturers first able to stock dealers with new models usually secure a sales lead hard to overcome in later months. Hence every company is prodding production departments to get an ample number of cars into the field quickly.

While this bustle of manufacture greets the eye everywhere in southern Michigan, behind the scenes just as intense effort is being put into preparations for 1937—even before many 1936 models are publicly introduced. The

industry realizes that it can get by successfully only another year without major design changes. When these changes come, they are likely to encompass engines in the rear (Edsel Ford recently remarked that that is the logical place for the motor) and other developments which will necessitate heavy investments in machine tools and other plant equipment. Machinery builders thus are looking to Detroit for huge orders in the first half of 1936.

Still making their cars bigger and better without pricing them higher, automobile companies are watching every opportunity to cut costs. Greater volume will pare costs per car more than any other factor. However, further mechanization is not being overlooked as a money-saver. Automotive executives aren't talking much about it, but are quietly encouraging the trend toward high-production, automatic machine tools. This type of equipment not only reduces labor costs, but also contributes to improved quality.

Show Can't Go On

Strike that grew out of work-spreading closes San Francisco automobile show.

CANCELLATION of San Francisco's twentieth consecutive Pacific Automobile Show, a \$100,000 enterprise, has drawn the attention of business to the fact that another Coast industry is faced with a vigorous closed shop campaign by organized labor.

This time it is the motor car dealers who are under fire; the Automobile Mechanics Union, American Federation of Labor affiliate, has called a strike in San Francisco which has closed every dealer's service department in the city. Oakland and Los Angeles are said to be next on the union's program.

Dealers put a large portion of the blame for the present predicament on NRA codes under which they employed more men than they actually needed. When the codes faded, they continued to employ surplus forces to spread work. While each man received less wages, more men got some wages. The resultant dissatisfaction provided a fertile field for closed shop agitation.

San Francisco dealers are determined to hold out against the closed shop. If wage increases were the only points of dispute, the strike could probably be settled immediately. The men demand 90¢ an hour and a 44-hour week as compared with a present average of 85¢ for the same work-week. Union insistence on control of hiring halls and a closed shop agreement is the stumbling block.

An unusual method is being used by San Francisco dealers to get the men

back to work. A series of carefully worded personal letters is being sent to each mechanic, signed by his immediate superior in the shop where he works explaining the attitude of the company setting forth its side of the dispute in terms of his own job, and offering to take him back. Significant paragraphs of the letters are aimed at the women of the worker's family.

The plan was devised and the letters were written by energetic young Ernie Ingold, San Francisco Chevrolet dealer who sells more cars than any other Chevrolet dealer in the country.

Car Dealers' Points

N.A.D.A. directors to press case for new deal with factories.

OUT of a recent meeting of directors of the National Automobile Dealers Association comes the announcement of an aggressive campaign to press the dealers' continuing complaint about their status.

Improvement of factory-dealer relationships is placed at the top of their list of things to do. They believe that any long-term program of rehabilitation must start with a new deal from the manufacturers.

Under F. W. A. Vesper, militant president of the N.A.D.A. and one of the country's oldest and most successful automobile dealers, they have been working with certain manufacturers to gain concessions. They now eagerly wait to see how the results look in new 1936 sales contracts, due at show time.

Among their objectives is a 90-day cancellation clause calling for repurchase by the factory of all new cars in stock and of all special service equipment and parts purchased during the preceding 2 years.

Discount Debate

The dealers also want bigger trade discounts. They make these points: (1) Direct factory discounts have been trimmed down steadily; (2) manufacturers have supplied more and more of the needed accessories and spare equipment which formerly were the source of considerable extra profit for dealers; (3) the "velvet" that dealers formerly made on so-called handling and delivery charges has faded out; (4) with these shrinkages in income they have had to bear the burden of increased factory demands for better and bigger showrooms, sales, service, and advertising cooperation. The dealers add that bigger discounts will mean better salesmen, bigger volume for factories.

In line with these concessions they want the factories' help in saving the Used Car Guide plan of handling the turn-ins, feel that this is the makers' problem as much as theirs.

The N.A.D.A. directors' meeting re-

Sanctions and Business

League's arms and credit embargoes against Italy win wide backing. Real test will come when powers attempt to enforce complete trade blockade.

ported progress on the organization's effort to get a Federal Trade Commission fair trade practice agreement. FTC has declined to consider provisions in the proposed pact that cover maintenance of manufacturers' list prices and used-car allowances on the ground that "the present Federal Trade Act is not broad enough." However, the dealers hope to get most of the other provisions approved. Meanwhile they are going to see how much good they can get out of the fair trade laws now in force in 10 states (BW—Oct 12 '35), if manufacturers can be induced to cooperate.

The N.A.D.A. directors took under advisement 2 suggestions made by the New Jersey Automotive Trade Association. One urges that manufacturers reduce the number of dealers, and points out that, of 36,000 dealers covered by a recent N.A.D.A. survey, 19,900 sold fewer than 25 cars per year and 7,800 fewer than 5 cars.

The other suggestion was that, in a city where a car manufacturer has several dealers, he should set up one of them as direct dealer under whom the others would function as associate dealers.

THE League of Nations has decided that a state of war exists between 2 members, that Italy is the aggressor, and that members are going to punish the Italians by all of the means provided under the covenant.

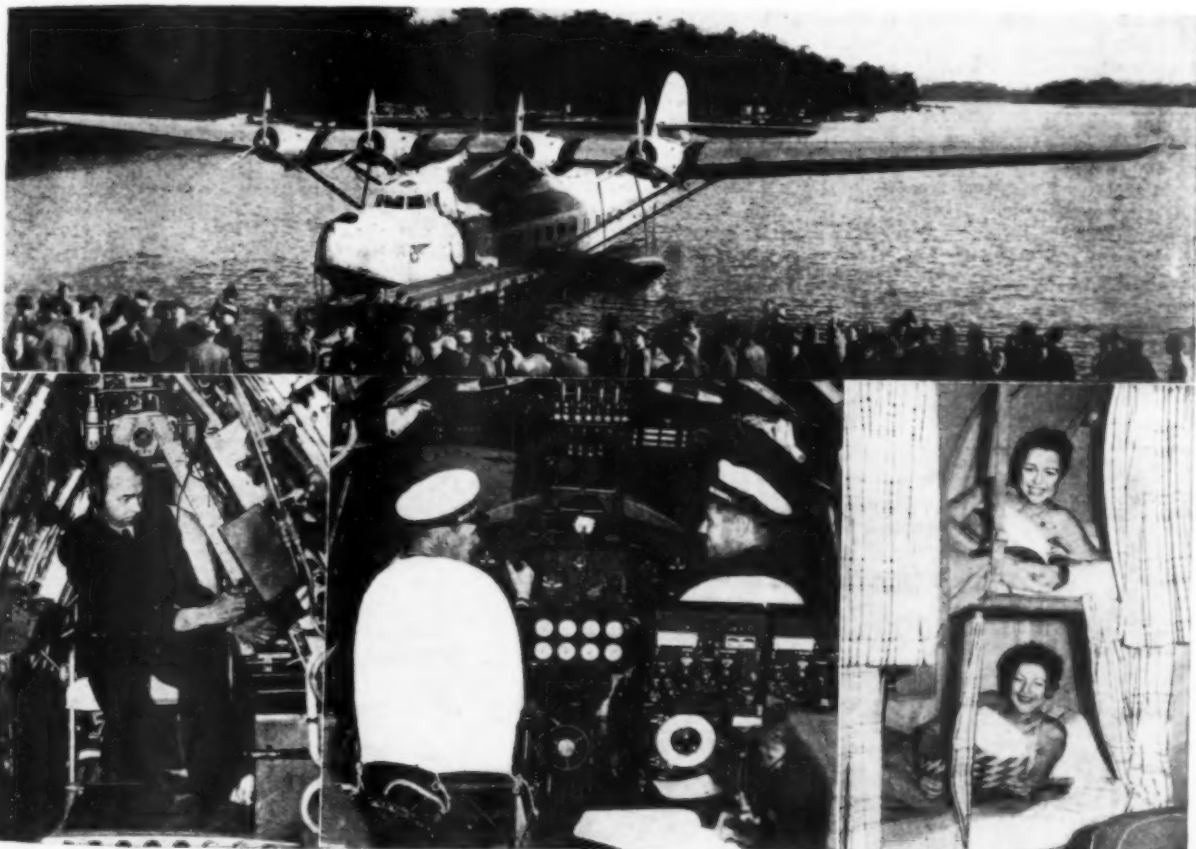
First move to force Italy into submission was the placing of an arms embargo. Arms specified are about the same as those provided in the United States neutrality ban, include importantly guns and munitions. This is effective at once.

Second move is to embargo all credit—government and private—to Italy. Members set Oct. 31 as the earliest date that this can be made effective, but actually it is already in effect, for Italy has not been able to secure credit abroad in any volume for many months. Purchases continue in many markets but

they are almost entirely on a cash-and-carry basis. Italy has sufficient stocks on hand, or sufficient foreign exchange in the hands of the government, to meet almost all emergencies which might arise if the Ethiopian affair is settled in 5 or 6 months. Should it last much longer than this, Italians would be forced to pull in their belts several notches.

Third move is the one which could really bring Mussolini to his knees—if it could be enforced. It is the embargo on all business with Italy. It means that nations would refuse both to buy Italian products or furnish Italy with any of the raw or finished products which keep Italian factories busy, Italian armies in the field, and Italian trains and automobiles operating.

Many obstacles are in the way of en-



"CHINA CLIPPER"—Just completed by the Glenn L. Martin Co., the giant new clipper ship, biggest plane ever built in America, was turned over to the Pan American Airways System in Baltimore last week. The veteran crew, including Engineer Officer C. D. Wright (left below), Capt. Edwin Musick, at the

wheel in the control cabin, and First Officer Ralph Dahlstrom, reported that she handled perfectly. And first feminine passengers on the transpacific air liner expressed themselves as thoroughly satisfied with the comfort and convenience of her appointments, including sleeping accommodations for 18 passengers.

forcement. In the first place, each League member is free to interpret the embargo for himself. In the second place, non-members in many cases control essential raw materials and have made no move to cut off sales to the Italians. Finally, there are always third parties who will run a considerable risk to sell at a big profit. Unless the League is willing to enforce a blockade—and this almost certainly would lead to war in Europe—the embargo is not likely to be of any value.

League nations have shown surprising unanimity in backing the theory of sanctions. Only Austria and Hungary actively refused to support the project. This is understandable. Italy is pledged to maintain Austrian independence (presumably from German encroachment). Austria sells 10% of all its exports, Hungary 9%, to the Italians. They can't lose this business without causing serious unemployment and social disturbances at home.

Little Albania Is Mute

Albania is remaining silent at Geneva. Albania could hardly afford to do anything else, for it is nothing more than a pawn for the Italians who control its police, its business, and its defenses. Within the week the Italian government has voted a fresh loan for fortifications on the Albanian highlands opposite the "heel" of Italy.

The British have taken the sternest stand in the whole question. They can afford to. Besides having the most at stake abroad, they have the least to lose in the form of direct trade. In volume their sales to Italy may seem large, but they are only a little more than 2% of Britain's foreign trade.

The Yugoslavs, with all their dislike of Italy, find it difficult to fall in line for a complete economic embargo. It means that they must find other markets for one-fourth of all their foreign

sales. Turkey and Greece depend only a little less importantly on the Italian market.

Real decision rests with the business men of each country. It is easy to build up public sentiment for their side of the issue. In this country, sentiment is very generally opposed to any move which could entangle the United States. Yet New York shipping interests have protested vigorously the President's move to prevent shipping to Italian ports except at the risk of the individ-

ual. This means that Italians will take delivery at American ports of whatever they may buy from this country and that Italian vessels will carry the cargoes. It's not a great volume of business at best, and much of it has long been carried on the Italian ships which maintain regular fast service between New York, Boston and Italian ports.

The real test of the League, and of neutrality legislation all over the world, will not come until the League attempts to enforce its third group of sanctions.

Parade of the Business Machines

Startling new models on display at National Business Show. Some are specially designed to keep records required by new legislation.

THE huge exhibition floor of New York's mammoth Port Authority building was crammed with exhibits, some 300 ft. or more long, at the 32nd annual National Business Show this week.

No exhibit was without at least one improved model. Several had many new devices and machines that automatically perform tasks which would make a Frankenstein gasp in astonishment. Some manufacturers had scrapped all the tools and dies of former models and created new lines that, in appearance and performance, left all predecessors far astern.

Experienced observers could find cause for dividing all exhibits into 2 major groups. The first consists of those concerns which heretofore had remained dominantly depression-minded, deciding to sit tight until the business momentum should push them forward. They had exhibits of "improved" models, with new finishes and different packages, but

nothing that meant hard-cash investment in untried markets.

The other group is made up of concerns which, when the first signs of genuine recovery appeared, not only struck out boldly to get their share of what business there was, but were willing to shoot the works with new machines, and develop special types to do highly specialized jobs.

This group showed models which were particularly designed to do jobs that a year ago did not exist and even 6 months ago lingered lazily in the lap of an undecided Congress.

For instance, with the Social Security Act barely out of the congressional swaddling clothes, the Burroughs Adding Machine Co. introduced a specially designed payroll and pay-check writing machine that produces the whole earning record of an employee, shows all deductions made under the law, produces the net total, adds up all items as



RAIL REFINEMENTS—Boasting some improvements on the original Zephyr design, a fourth Burlington streamliner, called the *Mark Twain*, took the rails this week. Passenger Traffic Manager A. Cotsworth, Jr., and builder Edward G. Budd (left)



were on hand for the ceremonies. Meanwhile, the New Haven Line reports enthusiastic interest in the new-style dining car, just added to its *Bankers Express*. Stainless steel tubular furniture and chromium plated fittings strike a modern note.

it goes along, and writes the permanent office record and pay check—all in one operation.

Payroll machines to meet the new requirements were found also in the exhibits of the Monroe Calculating Machine Co. and the Addressograph-Multi-graph Corp.

For Home Loan Records

Another New Deal experiment, the Federal Home Loan Act, prompted designers of the National Cash Register Co. to develop a machine, making its debut at this show, which does all the bookkeeping required in a loaning institution that operates under the act. It prints the current entries in the borrower's pass book and the office records all in one operation, keeping a running record of totals at the same time.

Machines designed for issuing utility bills to customers or premium notices to insurance policyholders were among the new contributions of the International Business Machines Corp.

In the Underwood Elliott Fisher Co.'s huge exhibit the new high-speed, low-priced posting machine and the new concave typewriter keys "to fit the finger tips" attracted wide attention.

Observers—in the biggest crowd the Business Show has clocked in years—also were interested in the "continuous form" attachment for addressographs offered by the Standard Register Co.; the new Ediphone, designed by Thos. A. Edison, Inc., for use in automobiles; the

new one-writing, full-record McCaskey Register for state-controlled liquor stores or for industrial use; the colorful 3-dial keyboard of the new Marchant calculating machine; and the new touch control of the Royal typewriters.



WINNING COMBINATION—An electric typewriter, an electric dictating machine, and a comely demonstrator give visitors to the 32nd annual National Business Show an idea of some of the improved machines a modern office needs.

Inevitable Inflation

We have all the makings of a vast, but slow-starting, credit expansion, some of it inevitable and healthy. Where it stops depends on the brakes, particularly those in Washington.

INFLATION began to sound a whole lot more real to business and finance last week when President Charles R. Gay of the New York Stock Exchange told them that a new inflationary credit boom and a runaway stock market is threatened by the existing loose banking situation. The stock market put an exclamation point behind Mr. Gay's warning with a little anticipatory spree.

Authorities agree that Mr. Gay was not magnifying molehills, that the potentialities for inflation are ominous. The foundation is laid for something unheard of in credit expansion, something that makes the few billions of greenbacks proposed by inflation advocates in Washington look like chicken feed. Each new shipment of gold from war- and currency-frightened Europe expands the foundation.

Each \$1 of gold in the Treasury is a potential \$2.85 of credit at the Fed-

eral Reserve Banks, which need only 35% gold coverage for deposit liabilities, and \$2.85 added to the reserves of member banks in the central banks will support \$68 dollars of bank deposits.

It is this geometric ratio of expansion that intrigues the statistician. Business is interested in the possibilities of any part of this expansion taking place and in what might start the ball rolling.

The machinery is merely primed. It is not a self-starter. For the present only two-thirds of the monetary gold stock is in the Federal Reserve Banks. Such gold as they hold is only half used for reserve purposes, and the member bank reserve deposits which it covers are big enough to support twice the bank credit now outstanding.

Washington is the only ambitious borrower at present and borrowers are the spark plugs that ignite the explosives compressed into potent banking re-

serves. Banking experts use the government's financing methods to illustrate operations of the machinery. The Treasury issues its securities to the banks, which pay for them by giving the Treasury a deposit credit. As PWA or some other governmental agency spends against this bank balance it is converted from a government deposit to commercial deposits and in part into savings deposits, as the money finally filters down into pay envelopes.

Anyone else selling securities or borrowing at the banks would set up the same sequence, but they don't go to the bank unless convinced the money obtained can be used to make a profit.

That is the reason business hasn't become more excited about credit inflation. It won't take until someone starts betting on it.

Where Credit Might Flow

Close students are watching 3 channels through which credit might flow in excessive amounts if something removed the dam. These are commodity, security, and real estate speculation. Prospects or dreams of startlingly higher prices in any of these markets could pull the plug, induce people to borrow and buy.

But there are natural or artificial barriers in each channel.

Securities, having provided the vehicle for the 1929 inflation, are naturally regarded with most suspicion now. But there are checks against abnormal collateral credit at a number of points. The Federal Reserve Banks can cut off discount privileges to any member that lends too much on collateral. The Fed-

eral Reserve Board can raise margin requirements on collateral borrowings at the banks as well as in brokerage accounts.

The new Bank Act of 1935 gives the board 2 new powers which could be used to check undue credit expansion in any direction. It could increase the reserves required of member banks against deposits up to twice their present amount which would cut in half the expansion possibilities in bank credit. It could require the Federal Reserve Banks to dump their \$2.5 billions of investments acquired in open-market operations, a process that would mop up all the excess reserves non-member banks now have on deposit at the Reserve, removing the most immediate point of slack in the credit situation.

As to Commodity Prices

Supply and demand are more important to commodity prices than credit conditions, the Warrens and Pearsons notwithstanding. Students of price trends are firmly convinced that production capacities can keep well enough abreast of any likely demand for commodities to prevent runaway prices. Even a warring Europe would have only moderate buying power on its present credit rating. Greater domestic buying power will come only with better business, a gradual expansion that suggests

at most a squeeze here and there where isolated commodities might be caught in short supply.

In real estate a highly advertised housing shortage and unstinted government encouragement are making only slow headway against the limited rent-paying ability of tenants on one hand and high costs and taxes on the other.

It would take a stock market dope letter writer of the 1929 vintage to paint prospects for any of these 3 media of speculation bright enough to stir up a stampede.

On the other hand inflation of another kind is inevitable with the existence of excessive bank reserves. Banks must lend to live. They and the capital markets are offering borrowers the greatest inducement within their power, low interest rates. Expansion in the volume of both credit and capital accommodations is an integral part of recovery and the line between wholesome expansion and ruinous inflation must be drawn at some point by the banking authorities.

Too much and too cheap credit has been the most dangerous element in American business since pioneer days. At one time or another it has given us overcapitalization in farming, real estate, business, and government. For the overcapitalization at some point in

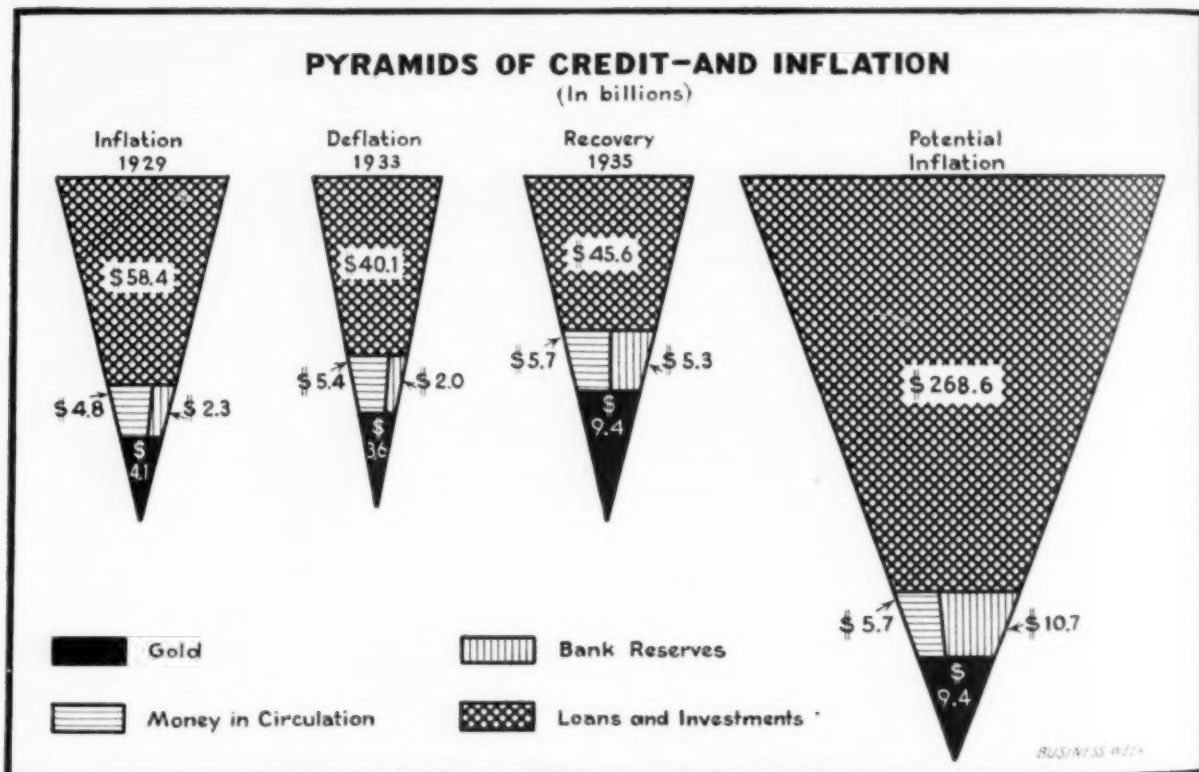
the future, there is a Federal Reserve system that had never grown up to its real expansion possibilities before its gold reserves were doubled by revaluation and absorption of foreign hoards.

Danger Is Not Immediate

These are the kind of things banking experts are thinking about when they venture to take a longer look into the future, even while discounting warnings of immediate inflation. And they remember also that the federal government has a \$30-billion debt. They expect that every Secretary of the Treasury from now until a time when the reserves of the old age insurance scheme will finance the government, will be advocating easy money. Until the \$2-billion stabilization fund is spent the Treasury is in position to counteract much of any contraction program the banking authorities might undertake.

Those are among the reasons why conservative banking interests ask for political independence for the Federal Reserve Board that will control the spigots to the bank credit reservoir.

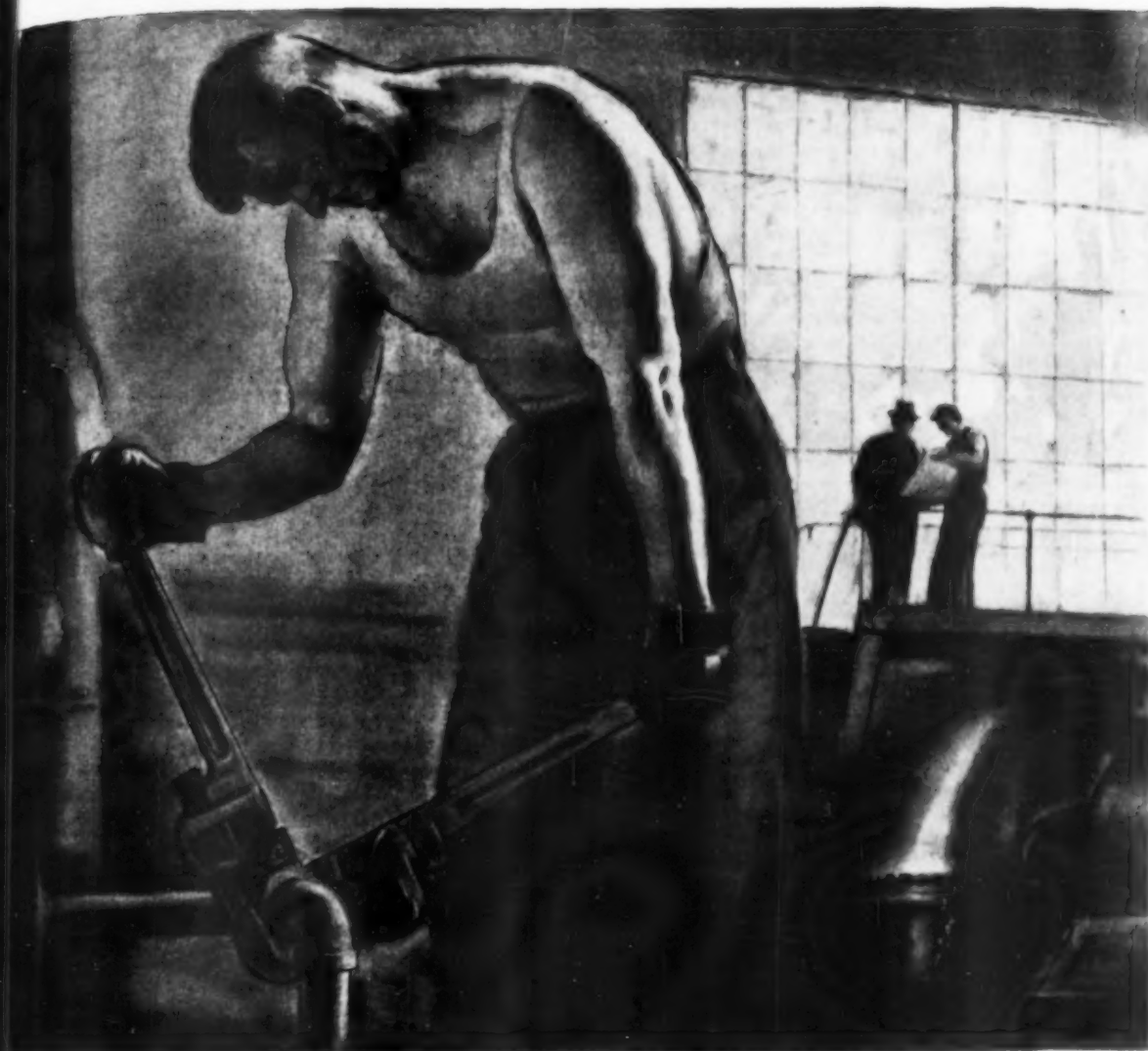
Business has in the background, therefore, an inevitable credit expansion, helpful to speed recovery, but carrying with it the threat of excesses such as have distorted the business curves for as long as the statisticians have been drawing them.



GOLD GEOMETRY—The 3 triangles at the left picture the banking situation at the height of the 1929 boom, at the 1933 depth of the depression, and at present. They indicate how gold supports currency and bank reserves and how the latter support

bank deposits, which are translated into loans and investments, thus governing volume of bank credit. The triangle on the right shows the possibilities of credit expansion inherent in our huge gold stock should this be used only to the same extent as in 1929.

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BUILDING FOR THE ~~FUTURE~~ PRESENT

It's all very well to build for the future. For most plants, the future is here! It has become the PRESENT! New productivity is catching up on facilities from which Time, Depreciation, and Obsolescence have taken their toll.

Build well for the present, and the future will take care of itself. Crane valves, fittings and piping, designed and manufactured to withstand far greater pressures and temperatures than those

normally assigned to them, insure long dependable service at low maintenance cost. This reserve of strength and stamina is your "Margin of Protection" against losses due to breakdowns.

Now is the time to inspect every inch of your plant piping for signs of waste and inefficiency, for lack of reserve facilities, for unsafe conditions. Crane Co. has developed a simple system of checking all

types of plant piping. Ask the nearest Crane Branch about it. A Crane representative will be glad to discuss with you and your engineers your entire piping equipment, and to explain in detail the Crane Finance Plan, making possible improvements costing up to \$50,000 with repayment over a period of years.

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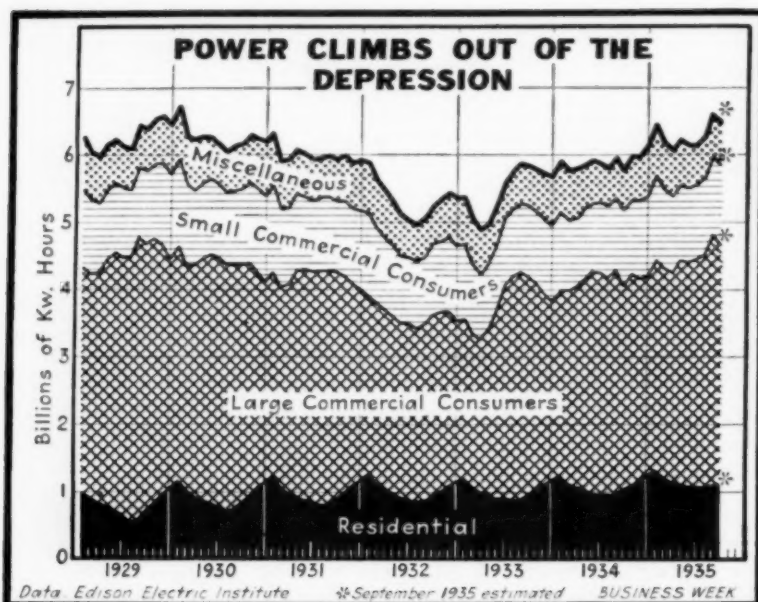
FABRICATED PIPING • VALVES • FITTINGS

estments.
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S WEEK

OCTOBER 19, 1935

13



ACROSS THE LINE—Two weeks ago, the electrical power industry chalked up an output figure higher than its previous all-time weekly high—in December, 1929. This chart, based on latest available monthly totals, doesn't mark that historic crossing of the line but it does reveal how it happened. Part of the answer lies in the way the utilities started to sell home appliances when the industrial load fell off with the depression. It is easy to see above how they have built up the summer valley in consumption and raised the level of the domestic curve. Now industrial sales are coming back, partly due to an increase in factory employment, but also because more kilowatts are being used in modernized plants in place of labor. Commercial consumption has also risen slightly.

Landis Satisfies

36-year-old Brain Trustster who succeeds Kennedy convinces Wall Street he'll act competently.

WALL STREET had an official visit last week from its new policeman, 36-year-old James M. Landis, and was convinced by his smiling but tense earnestness that the SEC remains in good hands.

Throughout his speech before a business group assembled by the American Management Association, and in his press interviews, there was a tone of genuine respect for existing financial institutions. He paid incidental but frank compliments to the stock exchanges and to the much maligned bankers. He placed his emphasis on the Kennedy objective for SEC—to battle fraudulent finance by encouraging legitimate finance.

No Embarrassing "Contamination"

There were Wall Street people willing to say that this former faculty member of Harvard Law School was possibly an improvement on Joe Kennedy. Such a view is the height of something for lower Manhattan. Their point was that Kennedy had won the confidence of the financial community and that Landis was keeping it. But, unlike Kennedy, Landis would not carry any

stigma of Wall Street "contamination" that might at some future time have handicapped his predecessor in holding public confidence.

Landis' manner and statements on policy answered Wall Street's biggest question of how he was going to run the securities end of his commission. He avoided any commitments on the utility holding company regulations that lately came his way.

Question 2 concerned the expense and cumbersomeness of security issuance under the act. He answered that by citing the reduction in cost and trouble effected so far and by pointing to further simplification.

Question 3 was on the technical points of the 20-day waiting period for which neither the commission nor the investment bankers have the answer. This week, however, brought 2 new variations in security offering procedure. In one instance, Blyth & Co. introduced a 1-day preliminary prospectus as a compromise between the 3-day "red herring" and its complete elimination. In another, Morgan Stanley & Co. employed the first advertisement prospectus tried since the regulations on offerings went into effect.

Most interesting answers were to Question 4: What good is the commission doing the investor? Jim Landis had some answers. Offerings of \$57 mil-

lions have been held up by the commission because the issuers did not provide honest or complete information. Applications for another \$143 millions have been withdrawn because the commission asked too many pointed questions.

Of 40 issues which were successfully registered by full compliance with the law and commission regulations but which "smelled" (a Landis word accompanied by a wrinkling of the nose), only \$3 millions were sold. He takes this to mean that investors will not buy much bad merchandise if they are told how bad it is.

Landis thinks the security regulations are "making investors out of security holders."

Vote on New Deal

U. S. Chamber of Commerce submits 4 questions to members, who will answer emphatically. Manufacturers also prepare drive.

In a move to emphasize its well-known views on the New Deal at the congressional session beginning in January and in the congressional and Presidential elections next year, the Chamber of Commerce of the United States has begun taking a vote of its member organizations on New Deal issues.

One referendum, on recent trends in federal legislation, was begun last week. There will be another soon, dealing solely with federal taxation.

In the first referendum, the 1,500 member organizations will vote on 4 questions carefully phrased by a special committee. The questions and the committee's report, which goes into considerable detail on the dangers in recent legislative trends, are contained in a 32-page pamphlet sent out from the Washington headquarters by Harper Sibley, president.

Questions Listed

Though the Chamber does not quite suggest what answers it wants, nobody will be surprised if 95% of the member organizations vote "No" on the first 3 of the following questions, and "Yes" on the last:

"(1) Should there be extension of federal jurisdiction into matters of state and local concern?"

"(2) Should the federal government at the present time exercise federal spending power without relation to revenue?"

"(3) Should there be government competition with private enterprise for regulatory or other purposes?"

"(4) Should all grants of authority by Congress to the executive department of the federal government be within clearly defined limits?"

The National Association of Manu-



RUBBER RULES THE WAVES

PERMANENT WAVES on lovely heads suddenly made curls popular again. A dozen metal curling devices sprang to the market but the metal made women's hair break and was uncomfortable to sleep on if the curling was done at night.

A Michigan manufacturer tried rubber, but women objected to the odor. Remembering the accomplishments of Goodrich application engineers, he came here, and an entirely new curler was developed using perfumed rubber, compounded to resist hair oils and heat, and so soft it protects the hair, produces a more attractive and more permanent curl, is easier for women to use, and it costs less to make than the former metal variety.

Perfuming may be the least of your worries but wouldn't you, too, welcome new sales appeals, new low cost for your product?

Remember that rubber, in its new forms and compounds developed by Goodrich, is really a new material, with limitless possibilities. Goodrich rubber can be attached inseparably to metal, wood or fabric; it can flex countless times; it can resist heat, oil, chemicals, abrasion; it can absorb vibration and noise; it can be made in almost any color, texture or form.

The result of these new developments in rubber can be new sales appeals,

new technical improvements, new low cost for thousands of products and processes—perhaps yours among them. Why not let Goodrich find out? The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich

ALL product problems IN RUBBER



In making American wines and champagnes, Goodrich Hose is used because it imparts no taste, odor nor color to whatever passes through it.



Milking machine inflations are made of Goodrich rubber because they are tasteless and because they flex countless times without losing their perfect elasticity.



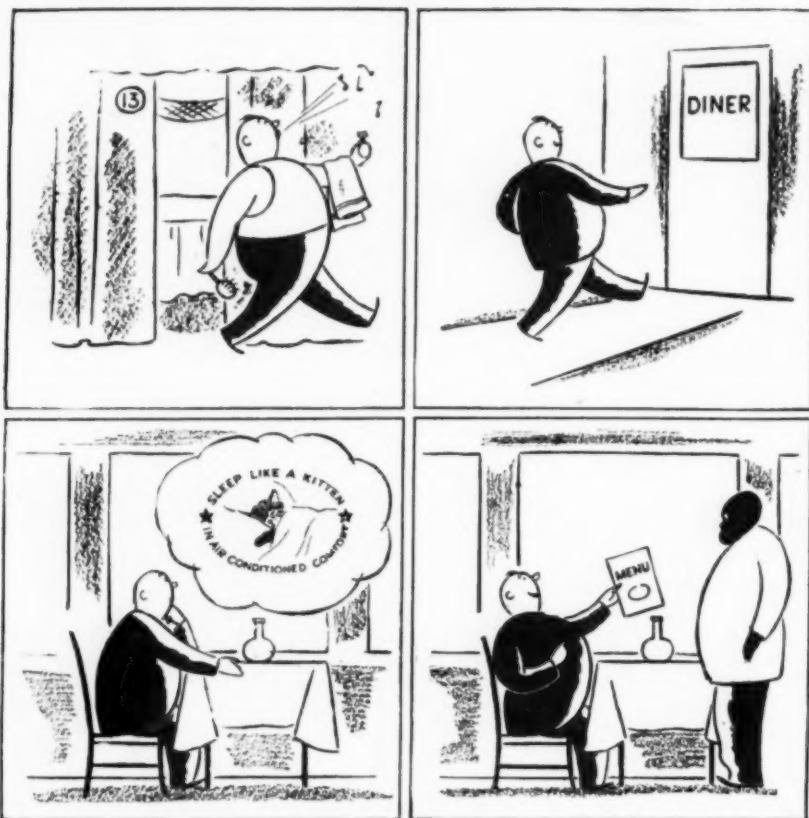
In scores of food plants the products travel on Goodrich white rubber belts—sanitary, easy to keep clean, economical because they last so long.



Look in any hospital for proof of the purity of Goodrich rubber. Many of the most important surgical accessories are made of this material.



Many cans of food are sealed not with solder but with Goodrich rubber cement. It imparts no taste and forms a perfect air-tight seal.



The ticket agent of any railroad can route you on
THE GEORGE WASHINGTON
THE SPORTSMAN • THE F. F. V.

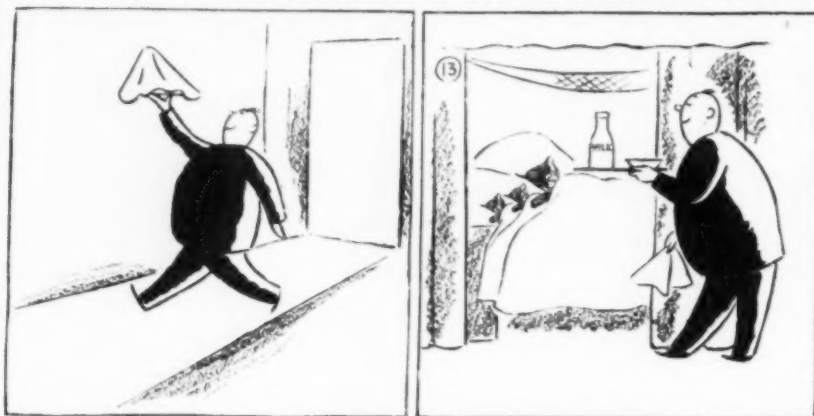
The finest fleet of genuinely air-conditioned trains in the world



George Washington's Railroad
CHESAPEAKE and OHIO
Lines

Original predecessor Company Founded by George Washington in 1785

1785 • ONE HUNDRED AND FIFTIETH ANNIVERSARY • 1935



facturers will also be active on the same lines. It will hold its convention and "Congress of American Industry" in New York, on Dec. 4 and 5, and the principal speakers will be Alfred P. Sloan, Jr., president of General Motors, and E. T. Weir, chairman of the National Steel Corp.

The principal business will be a discussion of a committee report on Government Relation to Industry.

Lumber Rate Cuts

South gets a lower freight rate to offset reduction allowed on lumber from Pacific Coast.

WITH some reluctance, Eastern and Middle Western railroads agreed this week to reduce rates on lumber from the South. This was done under pressure from Southern roads and lumber manufacturers to meet the transcontinental rate of 72¢ per 100 lb. recently extended from Chicago to the Eastern seaboard, when Eastern trunk and Central Freight Association lines joined with Western roads, hoping to capture from the Panama Canal route an increase of 20% in traffic.

Southern pine relinquished its Eastern and New England markets long ago, but the lumber men protested against blanketing of the Chicago rate to the East in the hope that they could wangle a sufficient reduction in the present rate of 38¢ from the South into Chicago to meet the 72¢ rate from the Pacific Coast. Failure of previous efforts to protect their Middle West market is a tender spot that will soon heal under the reductions to become effective in the near future.

The coup of the Western roads in blanketing a rate to the Eastern seaboard that is only slightly higher than the Canal rate of \$12 per 1,000 ft. may prove to be a boomerang by inviting this rail competition.

Boats to Buses

Gar Wood will build Stout's rear-engined, welded-frame bus.

GAR WOOD, speed boat sportsman and manufacturer of a growing line of industrial equipment through Gar Wood Industries, is going to build buses. He has taken over the streamlined model designed by William B. Stout and on the road for the last year and a half between New York and Chicago. It is built without screws, bolts or rivets with a welded frame of steel tubing. The engine is installed in the rear, with a rear-axle drive, which permits smaller axles and transmissions and smaller horsepower in the engine.

Dumped Milk and Broken Heads

Strike in Chicago shed, with cooperative fighting cooperative, is symptom of complex marketing troubles.

GROUPS of club-swinging men blocked northern Illinois and southern Wisconsin highways last week, barricading the roads with logs to stop milk trucks, and then dumping the milk.

A flying squadron of the Pure Milk Association, the large cooperative allied with Chicago milk distributors, protected milk trucks against attacks by members of the United Farmers of Illinois and of the Farmers Educational and Cooperative Union of America.

Governor Henry Horner of Illinois, conscientious and judicial, with the temperament of a man who has spent nearly a generation on the bench, tried diligently to arrange a truce. So did Dr. Herman N. Bundesen, the shrewd and energetic physician-politician who heads the Chicago Board of Health. But meanwhile blood and milk were running together on the highways.

What was the struggle all about?

Trouble in milk is a tradition. Marketing is so complex that AAA frankly threw up its hands after futile efforts to keep everybody in line.

Production Is Up

Few of the larger milk sheds are without their worries. Pastures and feed crops nearly everywhere were good this summer, and milk production is up. Butter prices are down. About a million farmers are dependent on their income from milk. About 3 million more are much concerned. Altogether about 12 million votes are involved,

which leads milk into the field of politics.

In most major milk sheds there is a strong organization of distributors in the city and a strong cooperative of farmers in the country. They deal with each other and are usually in accord. Distributors pay prices composed of an average of bottle milk (highest-value milk) prices and surplus prices. If milk flow is increased, with consumption remaining unchanged, simple mathematics gives the producer less money, because a greater percentage of his product goes into lower-revenue surplus.

Chance for Price-Cutters

Under this system there is always an opportunity for independent, price-cutting city distributors to foment trouble. They buy from a producer group not associated with the cooperatives, sell only bottle milk to city retail stores, dodge expensive home delivery, return the surplus to the farmer, and thus pay less than the strong distributor for bottle milk but higher than the average paid by the strong distributor group for all milk.

The farmer cooperatives face the difficult task of convincing their members that, while they get lower prices for all their milk than non-members get for part of their milk, the cooperative is still their bulwark against everybody's struggling for the narrow bottle milk market with resulting pandemonium.

They do a good job, but it is their



ARMS AND THE MILK—Under guard of state troopers, a shipment of milk en route to the Chicago market passes through the picket lines of angry independent producers who for 3 weeks have tried to shut off supply in order to force a 50% price increase on city distributors and the farm marketing co-op.



There is no factory or commercial building that cannot be cleaned better and more economically with -

INVINCIBLE HEAVY-DUTY PORTABLE VACUUM CLEANERS

May we tell you more?

INVINCIBLE VACUUM CLEANER MFG CO.
2511 DAVIS ST. EST. 1905 DOVER-OHIO

For News About Business

Read Business Week

Subscription rate: \$10 for 3 years

BUSINESS WEEK,
330 W. 42d St., N. Y. C.

PAGE FENCE

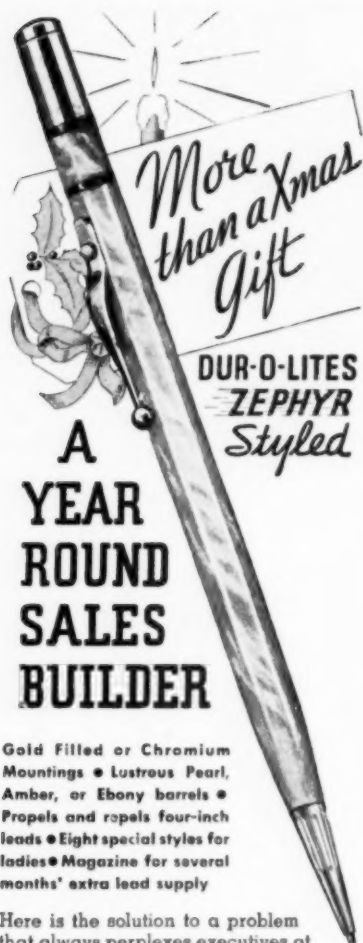


We don't want trouble . . . but if it comes

"there's a good, stout Page Fence around the place that will stop them long enough for better judgment to get in its work. It's been there a long time, too. Just as good today as it ever was. It pays to get PAGE FENCE." There are 82 Page Fence Service Plants. Write one of the District Offices below for name of Service Plant nearest you. No obligation.

PAGE FENCE ASSOCIATION
Bridgeport, Connecticut
NEW YORK PITTSBURGH ATLANTA
CHICAGO SAN FRANCISCO

America's first wire fence—since 1883



A YEAR ROUND SALES BUILDER

Gold Filled or Chromium Mountings • Lustrous Pearl, Amber, or Ebony barrels • Propels and repels four-inch leads • Eight special styles for ladies • Magazine for several months' extra lead supply

Here is the solution to a problem that always perplexes executives at this season. Zephyr-styled Dur-O-Lites not only bring happiness but most eloquently express your thoughtful appreciation to the individuals who have contributed to your success during the year, your customers and their representatives, your associates and friends, your family.

A Zephyr-styled Dur-O-Lite is a thing of rare beauty, richly trimmed in Gold or Chromium. It glides across the paper—and operates—as beautifully as it looks, flawless in every detail.

If desired, your Trade-Mark or Message may be permanently reproduced in colors upon the barrel as a year 'round reminder of you, your friendship and service. Each Dur-O-Lite is packed in individual gift box, designed in good taste, all ready for your distribution.

Dur-O-Lites are available to firms, commercial organizations, and institutions only by direct purchase from the manufacturer or through its sales representatives.

EXECUTIVES: Write on Company letter-head for Free Sample Dur-O-Lite. Please state your title. It will be helpful if you include reproduction of Trade-Mark, sales message, and preferred style of lettering. Act promptly. It won't be long until Christmas!

DUR-O-LITE
PENCIL COMPANY
Dept. B, MELROSE PARK, ILL.
On the Edge of Chicago



BUS AND TRUCK CZARS—Just appointed by the Interstate Commerce Commission, key executives of the new Motor Carriers Bureau consult with their chief, John L. Rogers (seated at desk center) and the two assistant directors, W. Y. Blanning and Park M. Smith (seated at his right and left).

destiny that every so often there is milk trouble. This has given some government officials the idea that milk should be a public utility, with prices regulated.

In the Chicago milk shed the farmers get \$1.75 per 100 lb. of bottle milk, with a lower price for the surplus. The strikers demand \$2.50 for all milk.

The New York shed, as the largest in the world, faces the most difficult of all regulatory situations. The courts have knocked out the authority of AAA and New York State to impose minimum prices on milk from outside the state. But New York City milk is a 7-state problem. Hence last week Agriculture Commissioner Peter Ten Eyck announced a plan whereby New York, New Jersey, Pennsylvania, Connecticut, Massachusetts, Vermont, and New Hampshire would form a cooperative control by state compact, with a federal coordinator sitting in.

Tower Topples

Bankruptcy of magazines distributed by Woolworth reminds executives that an inspiration is only as good as its application.

BANKRUPTCY of Tower Magazines, Inc., proves once again that a brilliant business inspiration cannot run on its original spark but must be fed with cagey and consistent management. Forebodings began early in September when the 5 Tower magazines failed to appear on the counters of Woolworth stores. Defeat became official on Oct. 8 when the magazine company embraced voluntary bankruptcy at Scranton, Pa., with an overhang of debt estimated at \$400,000.

Many a magazine publisher kicked himself in 1929. Catherine McNelis, a dark little merchandising wizard from Wilkes-Barre, sold Woolworth's the idea of retailing her publications. It was accepted as a natural. The four original ten-centers (*New Detective*, *Love*, *Home*, *New Movie*) drew a careful bead on subjects most fascinating to women. Magazines were displayed on counters near merchandise, furnishing a perfect argument for advertisers.

Started at a Million

The first issue of the magazine topped 1 million in sales. Proof of the idea's vitality is disclosed in its successful operation by competitors who later adopted the McNelis technique. Circulation of publications (like circulation of the human body) is a product of vitality or anemia. High spot of Tower group circulation was 6 months after the start when 1,335,000 copies were sold. The last audit showed a drop to 1,252,000, though a radio magazine had been added and distribution extended from the Woolworth counters to newsstands. A statistical autopsy, conducted by cheerful volunteers from rival publications, reported that Tower had never made a profit, that Woolworth's payment of 6¢ per copy left a printing and paper deficit of 1¢, that 1934 advertising revenue of \$1,052,000 was probably insufficient to pay for huge selling expenses, editorial, engraving, overhead, and companion items.

What was the trouble?

Undoubtedly the management suffered from the death of Hugh West, famous *Saturday Evening Post* writer and editorial genius of the Tower organization. Thereafter it became known as a "woman's office" where business was apt to be colored by emotion. Then,

TO THE EXECUTIVE WHO REQUIRES MORE INFORMATION IN GREATER DETAIL



EXECUTIVES who require more detailed information in less time should investigate the great advantages now offered by International Electric Accounting and Tabulating Machines. Here is an accounting method which is keyed to modern demands. It is based upon automatic machine operation by means of punched tabulating cards.

You request, for example, a report on sales in a specific territory. At the rate of four hundred cards per minute the cards are automatically sorted to that territory number. A machine tabulation then provides a complete printed report.

Perhaps your statements of earnings have a habit of being late. Under the International Electric Accounting Method, preparation of the earnings statement and balance sheet may be speeded up days and even weeks.

Don't wait until tomorrow for the facts you need today. Let us demonstrate how the International

Electric Accounting Method can be applied to your business now. Complete information on request.

A Complete Inventory Service

Any business, regardless of size, can apply the accuracy and speed of the International Electric Accounting Method to its inventory procedure. Detailed, accurate analyses of your complete material investment may be obtained from a permanent installation of International Electric Accounting and Tabulating Machines or by employing the International Business Machine Service Bureau. Branches of this Bureau are located in all principal cities.

International Business Machines include International Electric Accounting and Tabulating Machines, International Time Recorders and Electric Time Systems, International Central Control Radio Music and Speech Equipment, International Industrial Scales, International Electric Writing Machines and the new Proof Machine for Banks.

INTERNATIONAL BUSINESS MACHINES CORPORATION

GENERAL OFFICES:
270 BROADWAY, NEW YORK, N. Y.

BRANCH OFFICES IN
ALL PRINCIPAL CITIES OF THE WORLD



Carl Mackley Houses, Junata Park, Philadelphia

HOUSING DEVELOPMENT ATTAINS FUEL ECONOMY

Installation of Webster Moderator
System Provides Uniform Heat
in PWA Project

REGULATES STEAM SUPPLY

Philadelphia.—For the all-important heating job in the new Carl Mackley Houses, the first of the new, large housing projects actually to be occupied, a Webster Moderator System of Steam Heating was selected.

This group of four buildings is substantially constructed of durable materials—built for long life, with the most modern equipment. It covers an entire block at Junata Park in the northeastern section of Philadelphia.

The need for a central heating system that would provide healthful comfort free of overheating for nearly 300 families, coupled with the necessity for low annual operating cost, led the engineers to specify the Webster Moderator System of Steam Heating.

The system provides "Control-by-the-Weather," a single Outdoor Thermostat automatically adjusting the steam delivery for changes in outside weather conditions. Accurate orificing of all radiators assures even distribution, all radiators receiving heat at the same time and in amount proportionate to size.

Heating and plumbing plans for the development were prepared by Harry J. Eggy, Jr., Consulting M. E. The installation was made in the fall of 1934, with T. J. Kelly, Inc., acting as plumbing and heating Sub-Contractor, under Turner Construction Co., General Contractors. Architectural plans were made by Kastner & Stonorov and W. Pope Barney.

The financing of the project, including a \$1,039,000 loan from the Public Works Administration, was sponsored by the American Federation of Hosiery Workers.

The suitability of the Webster Moderator System for large-scale, low cost housing has led to its adoption in other outstanding developments of this type. Now under installation are Webster Moderator Systems for the Techwood and University Housing Projects in Atlanta, Georgia, both 100 per cent federally financed slum elimination projects.

If you are interested in (1) improved heating service and (2) lower heating cost in your building, address

WARREN WEBSTER & CO., Camden, N. J.
Pioneers of the Vacuum System of Steam Heating
Branches in 99 principal U. S. Cities — Estab. 1898.

See the Webster Exhibit at the
Heating and Ventilating Exposition,
Chicago, January 27 to 31, 1936

advertisers had to take space in the Tower Group instead of the individual magazines—a system known in other fields as "full line forcing." Enlarging the size of the magazines (in January, 1935) is said to have been in error. Newsstand analysts declare women will buy more readily the smaller sizes.

Future (if any) of the Tower publications rests in a mysterious contract between Woolworth's and Miss McNelis personally. It probably will hamper other publishers who are trying to capture the Woolworth outlets. Strong combinations remaining in the women's-group field (Macfadden, Modern Mag-

azine, Fawcett) would be delighted to supply the biggest of the retail chains.

What can be done in this field is illustrated by the growth of Modern Magazines. These are *Modern Screen*, *Radio Stars*, *Modern Romances*. The unit is part of the Delacorte string which also includes the waggish periodicals, *Ballyhoo* and *Film Fun*. From a combined first-issue circulation of 528,000 in November, 1930, they have gone to 1,300,000. Newsstand sales are bolstered by 2,172 store-distribution outlets of 7 big chains: S. S. Kresge, S. H. Kress, W. T. Grant, G. C. Murphy, McLellan, McCrory, H. L. Green.

Publishers' Problems

In corridor and conference room, newspaper and magazine publishers at Audit Bureau of Circulations meeting exchange notes on basic advertising problems.

ADVERTISING men are to the chamber born. By instinct and training, they prefer the conference room to the convention hall. Seldom therefore are vital industry issues threshed out in open session at any of the meetings of the various advertising associations; the really momentous problems usually get no nearer the convention floor than the hotel lobby or a quiet room on the 14th floor. And yet these peripheral activities are for many the main attractions.

This week's convention of the Audit Bureau of Circulations at the Hotel Stevens in Chicago was no exception to the rule. True, the spectacular fight of newspapers to wrest control of the bureau from the advertiser group which has managed A.B.C. affairs for 21 years did threaten to hog the spotlight and focus attention on the regular agenda, but this was, after all, a purely organizational row. Reserved exclusively for corridor consultation were more than a few fundamental situations in which interest is always at white heat.

Radio on the Carpet

There was, for example, radio, which regularly comes in for a good deal of vindictive comment during A.B.C. week. Neither at the A.B.C. convention itself nor at any of the other half dozen association meetings held in conjunction with the big show does a broadcasting representative dare intrude. And the fires of publisher indignation over radio's meteoric rise are always well stoked by the consciousness that the broadcasting medium alone succeeds in wheedling dollars from advertisers without benefit of an audited circulation guarantee.

This week, there was a new offensive on radio to discuss. From New York came reports that some of the local

dailies were putting heavy pressure on the advertising trade press, suggesting the advisability of dropping unseemly editorial enthusiasm over radio's ethereal successes. And on the magazine front, the big 4—Curtis, Crowell, Hearst, and McCall—were supposed to be readying a big cooperative drive on radio under the general direction of Prof. James W. Young of the University of Chicago, author of the famed study of agency compensation and former vice-president of J. Walter Thompson Co.

Broadcast Test Case

Also on hand was that perennial problem of what to do about news broadcasts. Interest in the subject is currently heightened by the fight which Associated Press is conducting in Bellingham, Wash., to reverse a lower court decision which upheld the right of station KVOS to lift AP news dispatches from the local daily and broadcast them at will after publication. And of more than casual concern is the move of many big publishers, with Scripps-Howard in the van, to meet fire with fire by establishing their own new radio stations or purchasing controlling interests in existing outlets.

Critical as these questions are, perhaps the most perplexing problem to all newspaper publishers right now is what to do about advertising rates, specifically the advertising rate differential.

Because a newspaper publisher gets the bulk of his revenue from local retailers and because on these accounts he does not pay commission to advertising agencies, he customarily sets a lower rate for this classification than for national advertising copy. Country-wide studies show that the average difference amounts to 40.5% on contracts for

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they have
stand sales
distribution
S. Kresge
s. C. Mar
L. Grov.

On a 50,000 line con-
tract the average differential jumps to
18%, and as linage increases so does
the spread between the local and na-
tional rate.

Over a period of 15 years advertisers
an increasing numbers have found a
dozen different ways to hurdle the dif-
ferential and to place their copy through
local distributors at the retail rate.

Currently it is estimated that advertisers
succeed in buying 30% of total national
advertising linage on this basis at a
saving of \$24 millions to themselves.

Two Ways About It

Publishers recognize that there are 2
ways in which the holes can be plugged
up. The one solution lies in a strict
enforcement of the existing differentials,
involving refusal to countenance any
circumvention by national advertisers
even at the risk of losing the business;
the second lies in elimination of the
differential, or at least a close approxi-
mation of local and national rates.

Publishers' representatives, whose col-
lective livelihood depends on their sale
of national advertising space at pre-
scribed national rates, have been work-
ing for years along the lines of the first
solution. In a few scattered instances
they have succeeded in obtaining pledges
from publishers within a single state
or city to work as a unit in enforcing
the differential, but critics say this ap-
proach is futile, for its success rests on
100% common action—and there's no
policeman on the beat.

Lately advertising agencies have mani-

fested considerable interest in the second
approach. Their position is paradoxical,
for individually the existing situation is
not displeasing to them. If an advertis-
ing agent can get his client's national
copy into a newspaper at the retail rate,
he is going to do it, for that means the
client's appropriation will go just that
much farther and the agent can do just
that much better a job.

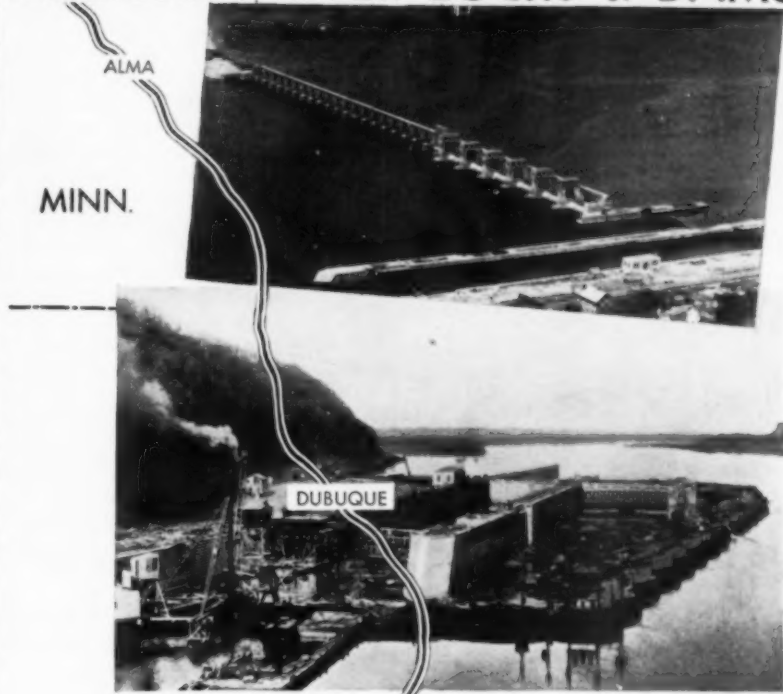
Agency Commission Involved

Collectively, agencies realize that the
system of placing copy at retail rates is
not in their best interest over the long
pull, for it involves a virtual repudiation
of the sacred agency compensation
system. When copy is placed at the re-
tail rate the agency does not collect its
regular 15% commission from the pub-
lisher. The space is paid for by the local
distributor; the manufacturer reimburses
him and also pays the agency a fee in
lieu of the 15% commission. Collec-
tively, agencies also have other objec-
tions to the system: it imposes additional
burdens on them without appropriate
remuneration, and it introduces a new
bargaining factor into the accepted pic-
ture of advertiser-agency relationship.

Hence, they would just as soon have
done with the differential altogether.

The initiative, of course, lies neither
with them nor with the publishers'

MISSISSIPPI RIVER LOCKS & DAMS



TOP—Mississippi River Lock & Dam No. 4
Alma, Wisc. . . . Century Equipped

BOTTOM—Mississippi River Lock No. 11
Dubuque, Iowa . . . Century Equipped

OLD MAN RIVER

Up to October first—334 Century Motors were
specified for Lock and Dam Operating Machinery,
Hoists and miscellaneous equipment comprising
the Upper Mississippi 9-ft. Channel Development.
Total Century Horse Power: 6682 . . . Size ranges:
7½ to 75 Horse Power.

Also—335 Torque Motors for operating Brakes.

Most of these motors are mounted on the Lock
walls—exposed to the elements.

There is no better proof that Century Motors will
meet all the requirements of your product or
plant equipment.



New
BULLETINS

Send for Bulletins describing
and illustrating Century Motors.

Century

MOTORS UP TO 600 HORSE POWER

CENTURY ELECTRIC COMPANY
1806 Pine Street . . . St. Louis, Mo.
Offices and Stock Points in Principal Cities



TO MEET YOUR *Special* REQUIREMENTS

The sample of pole line hardware shown above—a special cable releasing suspension clamp—is made of Jones & Laughlin Copper Bearing Forging Steel.

This forging, galvanized for greater resistance to atmospheric corrosion, combines light weight with great strength, two factors of prime importance in pole line hardware.

A special copper bearing steel is being supplied to meet the special requirements of this forging. J & L is in position to supply forging steel of the right analysis to meet any requirements within the scope of carbon steel. If you have a forging job that requires a special analysis of steel, a J & L metallurgist, specializing in forging steel, will be glad to consult with you.



JONES & LAUGHLIN STEEL CORPORATION

AMERICAN IRON AND STEEL WORKS
PITTSBURGH, PENNSYLVANIA

representatives. It lies exclusively within the publishers' domain, and here again collective desire is at variance with individual interest. Narrowing of the differential can be achieved only by lowering the national rate or raising the retail ante. Individual publishers, faced with a tight competitive situation and threatened by rising material and labor costs, dare not step out alone in either direction without inviting bankruptcy.

This was the situation which representatives of the Newspaper Advertising Executives Association and of the American Association of Advertising Agencies mulled over at a special dinner in Chicago Monday night. No specific cure was recommended by the conferees—indeed, none could be recommended—but their agreement on principles and purposes should prove one more step in the gradual evolutionary process which alone can be counted on to break up the present stalemate.

Shades of Tugwell

New York City Board of Health proposes stringent drug, cosmetic, advertising control.

WITH its 3-year Washington run a matter of history—now that the Copeland bill seems assured of passage next session—the big advertising, drug, and cosmetic show unexpectedly reopened this week in the Aldermanic Chamber of New York's city hall. Even without benefit of ballyhoo a capacity crowd was on hand for the Gotham premiere.

As a matter of fact, there hadn't been much time for press agency. Nobody even suspected the engagement was booked until ten days ago. Off and on, there had been rumors that the New York Board of Health was weighing stringent new regulations for the control of patent medicines, cosmetics, and advertising, but they were generally charged off as just gossip of the circuit.

Then middle of last week the proposed amendment to the New York Sanitary Code made its devastating debut.

Fight for Delay

Veterans of the Tugwell fight took one look at the measure, gulped hard, and saw that their only chance lay in averting early action. The full desperation of their plight did not become apparent until with their lawyers they checked on how the proposed amendment might be enacted. They discovered that by virtue of its franchise in the city charter, the 5-man Board of Health could give the proposed regulations the full force and effect of law simply by agreeing on their promulgation after a public hearing. Here was a type of bureaucratic government-by-decree which made any of the accusa-

tions they had hurled at Rex Tugwell seem weak as dishwater.

Failing to persuade Mayor LaGuardia to intervene in their behalf, trade interests led by Frank Blair of the Proprietary Association were on hand bright and early Monday morning to meet Commissioner Rice and his 4 fellow board members, including Dr. Haven Emerson, former president of the American Public Health Association, whom many remembered as an earnest and ardent defender of the Tugwell bill. One after another the witnesses voiced a common plea for a 60-day postponement. It sounded just like the first hearing in Washington—the same familiar faces, the same identical lines.

Allow a Breathing Spell

After little more than half an hour of taking testimony, the board went into executive consultation and announced that hearings were deferred until Dec. 2, that all briefs would have to be filed with the board 10 days earlier.

Satisfied that they had won the first round, industry representatives retired to ponder the measure and determine the best defense tactics. Further analysis revealed that the measure was even more threatening than a first reading had indicated. If enacted, it would require every cosmetic and proprietary medicine manufacturer or distributor to register his products with the board before offering them for sale in New York. The board, acting entirely on its own authority, could refuse to register the product if it contained any poisonous substance harmful "or potentially harmful" to health. In applying for registration a manufacturer would be compelled to file the full and complete manufacturing formula with the board, as well as a complete case history of the product, a statement of claims that would be advertised for it, and copies of all advertising and sales promotion material which he planned to release in the 3 months following registration.

Hedged All Around

Even after he obtained a certificate of registration (at an initial cost of \$25 and an annual renewal fee of \$10 for each product), a manufacturer would have no guarantee that he would be permitted to continue business in the city, for his license could be revoked, wholly at the board's discretion, if he claimed that his product was a cure or specific for any disease or if he advertised any claim, written or spoken, not supported by reputable medical authority, or if he willfully violated any Sanitary Code regulation.

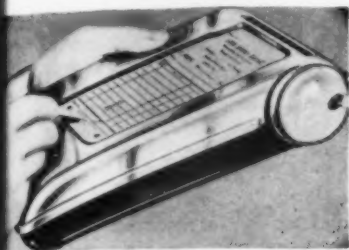
While trade interests figure that they have more than a fifty-fifty chance of bringing sufficient political pressure to bear either to kill the measure or materially modify it, they are worried lest the episode suggest similar tactics to other state and city boards of health.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

VICOR-AIRE humidifier, now made by the Merion Sporting Goods Mfg. Co. for cleaning and humidifying the air in homes, offices, or apartments, is advertised to evaporate up to 12 gal. of water per day, is operated by a small electric motor, has automatic control for maintaining a predetermined degree of humidity, is easily portable, no larger than a small radio set.

STANDARD REGISTER CO. announces the Form Flow portable register as a substitute for the ordinary salesbook used



in stores. It offers all the advantages of the non-portable counter machines for writing sales slips, uses continuous multiple forms, stops them automatically in the proper writing position, and provides mechanical ejection. In size and weight it compares favorably with the usual salesbook.

For hand-tooling of leather, E. A. Sweet Co. offers Craftsman sets, packed in convenient form. The sets include all the necessary patterns, tools, accessories, and full instructions for tooling and finishing of leather articles at home.

THE new Uni-Directional microphone, offered by the Brush Development Co., can be set for directional use, in which case it has a sound field covering 180 degrees and is dead at the back, or it can be switched to nondirectional service with a pickup field of 360 degrees.

PAINTERS' GUNK is now offered by Curran Corp. as a solvent that will remove tar, oil, or heavy coats of wax from painted or lacquered surfaces and leave them ready for repainting or refinishing. It can be sprayed on, is washed off with water, and eliminates the need for gas-sanding.

THE new pipe wrench advertised by the Walworth Co. has hardened steel renewable jaw and cross tongue seating into cross slots in handle, while the jaw is locked in place to eliminate backward tear and prevent loosening.

Koppers Products Protect

Koppers Roofing Protects Building Investments



Thousands of roofs have been neglected since 1929.

... Industry is now paying the price of this neglect through leaks ... and destruction of roof decks →



... The sure remedy for this is to repair or re-roof with Koppers coal tar pitch and tarred felt. . . . →



GO UP AND SEE YOUR ROOFS! If you find any trouble, write for our Sweet's Reprint, which explains what happens to roofing and what to do about it. There are authentic records of 10 to 40 or more years of trouble-free service by coal tar pitch and tarred felt roofs.

KOPPERS PRODUCTS COMPANY, PITTSBURGH, PA.

Tarmac Road Materials . . .
Wood Preservatives . . . Roofing
Pitches . . . Roofing Felts
... Waterproofing ... Industrial
Pitches . . . Crude and Refined
Tars . . . Tar Base Coatings . . .

KOPPERS

Tar Base Paints . . . Pitch Coke
... Tar Acids . . . Benzol . . . Naphthalene . . . Agricultural Products.
These and other Koppers Products have won a lasting place in hundreds of industries



Let's visit Mrs. B. and see what she does with the \$30 a week you pay her husband. Start at 5:45. She does . . . and gives Jim a good hot breakfast. Then—because it's Monday—she starts the washing (no money here for a laundress). Off to school at 8 go Betty, Jim, Jr. and Carl—well-fed, neatly dressed, armed with school books all paid for. Then the tasks of the day. Ordering food for dinner—mending socks and clothes—pressing Jim's Sunday suit. And Jim and the youngsters get a good wholesome dinner—and maybe once a week they go to the movies. And there's rent—heat—light . . . All on \$30 a week? Yes. But they can't save much. If illness comes—Jim knows he's sunk. And illness *will* come. What then?

Jim will come to Household where a small loan will be made to him, privately. Unable to anticipate a hospital bill and save up for it in advance, Household's plan enables Jim to do the saving after the patient gets well...and it takes less than 10% of his pay each month to do it.

He'll get a new start. And he'll get something equally important. A plan of Home Money Management that will help him stretch that \$30. His wife will learn through our "Better Buymanship" library how to make her dollars go farther. That's the service Household renders to the American family.

Perhaps you would like to know more about this service. Many employers of men are greatly interested when they learn the true Household story. The coupon below will bring you complete samples.

919 North Michigan Ave., Chicago, Ill.

Please mail me, absolutely FREE—the new-type budget calculator: "MONEY MANAGEMENT FOR HOUSEHOLDS" and sample copy of your "BETTER BUYMANSHIP" booklets.

City.....State.....

THE most illuminating information on business conditions in the old Northwest (that means Minnesota, Montana, and the Dakotas) came out of an unusual luncheon gathering given for *Business Week* by the newspapers of the Twin Cities and attended by 55 executives of leading banks, mercantile establishments, and industrial companies of the territory. The editors and the publishers who were hosts assured their guests there would be no reporters present and no one would be quoted.

With that assurance there was an amazing degree of frankness in reporting exact totals and ratios of productions, sales, and collections throughout the territory. Even in comparative terms, as we are permitted to report it, this community inventory-taking gives a remarkable picture of progress and optimism supporting the impressions set down last week (*BW—Oct 12'35*).

An executive of one of the large mail order houses stated that August sales in the Northwest were the largest in the history of the company and that this was true of both mail order and retail departments. Another mail order house reported that the volume of business in the territory had become so large as to constitute a problem and that 5 executives from the home office were in the Twin Cities making arrangements to handle an even greater volume of sales in 1936.

A significant report came from the manager of a nationally known organization that manufactures not only farm machinery but equipment used in construction, forestry, and in the factory operations of almost all the heavy industries. The Northwest branch of this company has led all other divisions of the country in sales this year. It was observed also that an unprecedented proportion of cash is coming in with orders.

The new buying power of the territory was tersely shown in the reports of two of the largest wholesalers. One cooperative wholesale grocery owned by and serving 900 retail grocers has booked the largest volume of business in its history. A large dealer-owned wholesale hardware company is moving a larger physical volume of goods this year than ever before—although, because of the price situation, its dollar value will be slightly less than in 1929.

One of the big three in the automobile field showed an increase of 103% in sales during the first 8 months of this year. The sales quota in the territory has been increased 30% for next year. Incidentally this gain is nearly double the national figure.

The president of a life insurance company operating on a national scale but with its greatest concentration of business in the Northwest made a wise observation on business conditions in the home territory. He reported record-breaking figures as to new business written but said that the showing depended as much on sales energy as on business conditions. The really significant figures were those showing 25% fewer policy lapses this year than last and policy loans considerably less than in 1929. As a matter of fact, policy loans have almost disappeared in the experience of this company.

The great volume of buying for home consumption in the territory was further indicated by one of the oldest washing machine companies there. Its national sales are the largest in its history. The Minneapolis branch has far outdistanced all others in sales per capita. This, incidentally, is more or less typical of all home appliance sales in the territory.

Department stores are doing at least as well as elsewhere. The gains reported are modest because the business has been relatively steady during the depression. One store's sales increased 10% over last year and another 6%. One of these department store managers particularly stressed the fact that sales were being hindered by rapidly rising costs of silk, cotton, linen and wool. Incidentally, during the depression sales showed a decline of but 25% from pre-depression levels, as compared with 35% to 45% for the country as a whole.

Probably the best mirror of the Northwest is the great Minnesota State Fair. This year every available foot of exhibition space was sold to conces-



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sionaires. More pure-bred livestock was shown than ever before. One farm machine exhibitor made actual sales of \$125,000 during the week. Another had 130,000 visitors at his booths. More than half a million people passed through the turnstiles and farmer attendance nearly doubled. When thousands of farmers go to the fair to spend cash for tools and pure-bred breeding stock, happy days have returned to Minnesota.

Probably not one reader in a hundred ever heard of Blue Earth, Minn., but a farm implement company reported

Conference Report

When the Editor of *Business Week* asked for figures to back up all that recovery talk which he heard in the Northwest and reported in these pages last week, they rounded up a representative group of business men from Minnesota, Montana, and the Dakotas at a luncheon in the Twin Cities, shut out the reporters, and opened up the statistical barrage.

Herewith is the report on what the figures are and what they show, with due regard to the confidential nature of some of this frank speaking.

It makes up the second in a series of first-hand reports on what business men are doing, saying, and thinking in this period of upturn, all of them based on field trips which are carrying the Editor into the offices, homes, and lunch conferences of business men in key sections of the country. A third, reporting on the Chicago market, will appear in the Oct. 26 issue.

that its dealer there has sold 27 tractors this year. In fact, all signs indicate that the process of mechanizing farms in the Northwest is moving faster today than it did in the post-war boom. Certainly the movement is much sounder now than then.

While we were in the Twin Cities, Minnesota was preparing for its great Halloween fiesta, the corn husking contest. The editor of *The Farmer*, who had the job of picking the locale, chose an exceptional place at Heron Lake. In the past this area has been better known for the excellence of its duck shooting and the plenitude of its muskrats than for farming progress. When the implement companies offered to send new tractors to pull wagons for the huskers, the local committee proudly announced that they had new tractors of their own to pull all the wagons in the county and didn't need any gifts from Santa Claus.

Apparently the sitting-rooms of the Northwest are being done over. The head of one of the largest furniture



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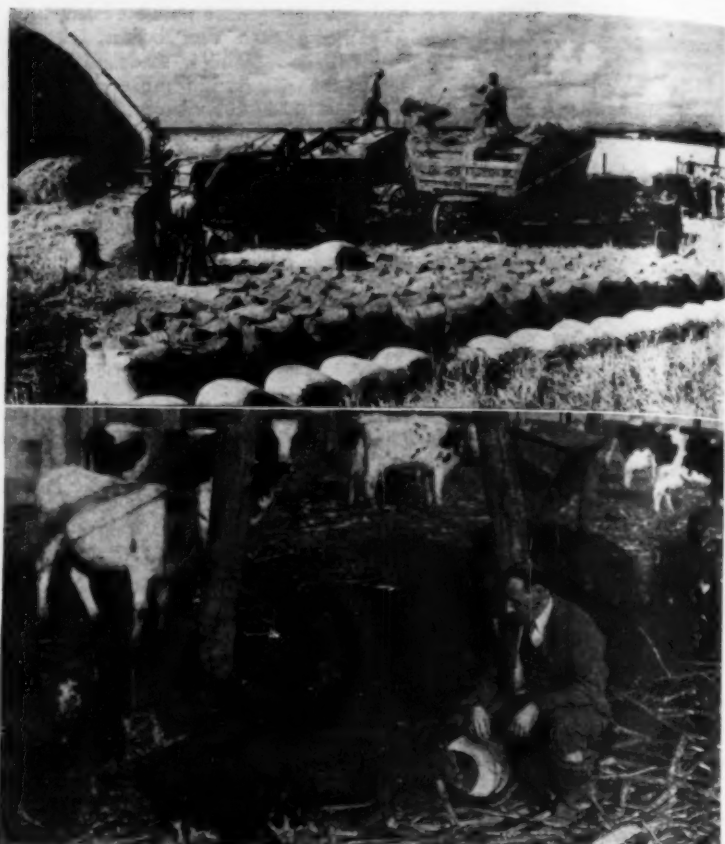
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DIVERSIFICATION MEANS PROTECTION—Although wheat has always been the one critical factor in the economy of the Northwest, farmers have learned to cushion effects of price fluctuations by diversifying production. Today, largely as a result of newspaper and farm magazine campaigns, "the cow, the sow, and the little red hen" are getting special attention. Result: more stable buying power.

companies reported that August sales beat all records of the last 7 years.

One of the best indicators of conditions in the heavy industries was the report of the head of one of the largest advertising agencies in the territory specializing in industrial accounts. Those advertisers who were active last year are spending 20% more than a year ago but so many clients who were dormant last year are now reaching for sales that the billings of this agency have more than doubled.

Two manufacturers whose products are sold all over the world and who have relatively little business in the Northwest, contributed something to the national picture. One manufactures heat control apparatus. His September business showed an increase of 60% over a year ago. The other, making abrasives for industrial use, is enjoying record-breaking sales volume.

Faith in the Northwest and accurate knowledge of conditions prevailing there is not confined to the territory. Two of the largest insurance companies in the country are buying space in agricultural papers to advertise for farm mortgages. Land values have advanced well above

the bottom and appraisals for the purpose of loans are increasing in keeping.

This reminds one of a remarkably fine job that has been done in financing the farmers of the Northwest through troubled times and of the way the country has justified credit confidence.

The Regional Agricultural Credit Corp., organized by bankers to rescue the farmer long before the government went into the business wholesale, loaned \$42 millions to what were supposed to be the poorest kinds of risks—farmers who had not established credit with anybody. Of this, \$25 millions has been repaid in full. The remaining \$17 millions is coming in at the rate of \$800,000 a month. It seems now practically certain that when the books are closed all of the \$42 millions will have been repaid and there will be a profit left for the syndicate.

It is regrettable that some of the facts and figures revealed at this meeting cannot be passed on even in substance, but enough is privileged to indicate that the Northwest is on its way back to prosperity and that it should constitute one of our richest market areas during the next few years.

Wagner Act Test

Board issues complaint against bus subsidiaries of Greyhound and Pennsylvania Railroad. Camden shipworkers win pay boost.

A SHOWDOWN on the Wagner Labor Relations Act was brought a step nearer last week when the National Labor Relations Board issued its first complaint. This was against subsidiaries of the Pennsylvania Railroad and the Greyhound Corp., charging anti-union activities. The case will probably wind up in the Supreme Court.

Another governmental agency—a special arbitration board appointed by President Roosevelt—also scored a point for labor. It awarded higher pay and shorter hours to employees of Errett Lobban Cord's New York Shipbuilding Corp.

The labor complaint was issued against the Greyhound Management Co., a subsidiary of the Greyhound Corp., and against the Pennsylvania Greyhound Lines, controlled equally by the Greyhound Corp. and the Pennsylvania Railroad, and operating a 5,000-mile bus system, with terminals at New York, Chicago, and various points in between.

The significance of this is that the defendants' business is interstate, and the board has been anxious to get a clearcut interstate case to make a test of the congressional power to regulate labor relations. But the defense will be that labor relations are not a part of interstate commerce, and hence are outside the powers of congress.

The bus companies are accused of discharging 9 Pittsburgh employees who joined a union, and contributing money to an employees' organization. The board will hold a hearing Oct. 22 at Pittsburgh.

Taxi Headache

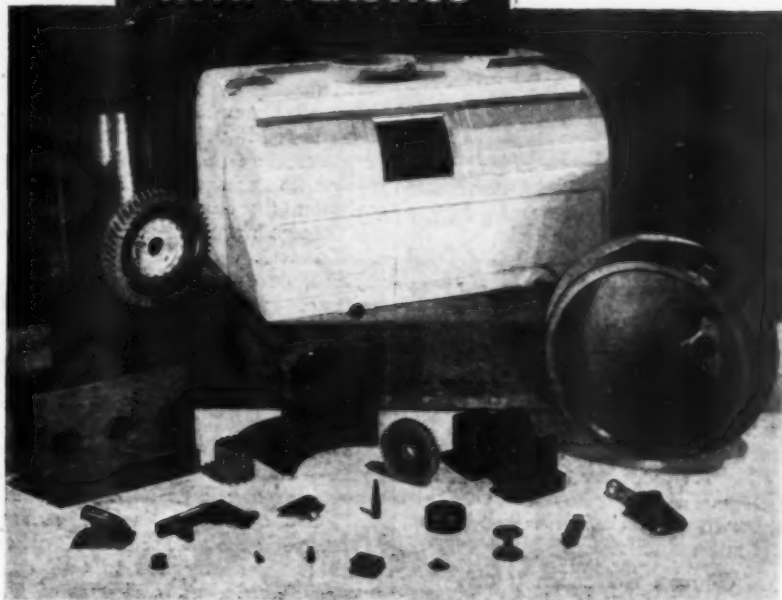
Another local transit company finds taxis can't be digested.

ANOTHER effort to put some religion in the taxicab business has failed. Philadelphia Rapid Transit Co. says it wants to quit trying. It is now advertising for sale and will give up for a few hundred thousand dollars a taxi system of 4 lines which has been built up over 7 years at a cost of about \$5 millions and has enjoyed a virtual monopoly in this so-called city of Brotherly Love.

Local transit companies in about a dozen American cities have experimented with taxi operation. It seemed to tie in logically with street cars and buses to form a balanced urban transportation service. But it doesn't work out. The explanation offered is that a corporation with overhead and ethics

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Kansas City's transit system dumped its 200 cabs about a year ago. So did the Twin City Co. serving Minneapolis and St. Paul.

Field Plan

Chicago dry goods house starts to remodel, beginning at the top.

THE dry goods trade is experiencing some of the qualms that afflicted the steel industry recently when United States Steel launched its New Deal. Marshall Field & Co., sleeping giant of the mercantile field, has indicated a disposition to reshape the Topsylike organization that has grown out of the old Chicago merchant prince's original establishment.

The trade doesn't know what all the excitement on the north bank of the Chicago River means, but it has some clues.

Point No. 1 is the transfusion of new blood into the management, and that right at the top.

James O. McKinsey, head of the management consultant firm that bears his name, has gone in as chairman of the board and chief executive. A vacancy has existed in the post since 1932, when James Simpson resigned to take over a quasi-civic job as chairman of the board for a group of Chicago Insull properties, leaving the management burden to President John McKinlay.

Call for Author

Point No. 2 is the fact that a "plan" exists for remodeling the far-flung wholesale and manufacturing organization. The McKinsey firm surveyed this division of Field's some time back.

Search for a successor for James Simpson became a search for someone to apply the plan, and the Field directors finally came back to one of its authors, James O. McKinsey.

The first internal shift to reflect the new régime was the promotion of Hughston M. McBain, young insider, to general manager of the wholesale and manufacturing division. McBain succeeds 59-year-old Harrison P. Shedd, nephew of the late John G. Shedd, Field president.

The McBain promotion confirmed trade impressions that wholesaling, the loss factor in Field's \$100-million annual business (\$180 millions in boom days), was in for the major face-lifting.

The profitable retail end is thought to be in capable hands, those of Frederick D. Corley, who was made general manager of retailing last March. Management of the Chicago Merchandise Mart, the world's largest commercial building, which has at times threatened



LEADS FIELD—James O. McKinsey, new chairman of Marshall Field, who has a revamping job ahead of him.

to become the tail wagging the Field dog the wrong way for income-account purposes, has recently been changed.

There have been other changes. An important one of a few years back was the induction of Ernest L. Olrich, a former National-Bellows Hess executive, as comptroller and the creation of a research and control department.

McBain, the new wholesale and manufacturing manager, is on record with regard to one principle which is supposed in dry goods circles to form part of the background of the new plan. That is elimination of jobbing, and concentration on goods made by Field's.

For the first half of 1935 more than 75% of all its wholesale business was done in goods that Field's had produced, converted, or imported, and it was recently announced that hereafter all underwear sold by the firm (one of its most important lines) would be Field-manufactured, whereas formerly half of it was merely jobbed.

Consulting Firm Goes On

McKinsey is understood to be shouldering an organizational task, rather than assuming a permanent operating rôle at Field's. He retains his connection with James O. McKinsey & Co., although limiting his activities to consultation. Four Chicago partners—Hamilton Allport, a former investment banker, A. T. Kearney, a merchandising expert, W. F. Vieh, an accountant, W. C. Hasselhorn, specializing in production problems, and a New York partner, Marvin Bower, corporation lawyer—continue the activities of the firm. Established in 1925, it includes among its clients U. S. Steel, Borden Co., Phoenix Hosiery, Carrier Corp., Kroger.

Green Belts"

well's builders set out to show that government planning can do low-cost housing.

ESTABLISHMENT of its first "green belt" urban housing development at Beltsville, Md., was announced by Rex McGraw's Resettlement Administration last week. Others will be located at Cincinnati, St. Louis, Oakland, and Bound Brook, N. J. The Administration's latest spurge in housing will cost \$31 millions.

Construction will begin immediately on the Maryland project. This is to provide 1,000 houses for employees of a huge farm research center of the Agriculture Department which adjoins a new community, and for families "chosen" from other low income groups in Washington and its suburbs.

Homes for Negroes

A \$10-million project at Mt. Healthy, Cincinnati, is planned to provide homes for 1,500 Negro families turned out of the "Black Belt" where Harold Ickes has undertaken a \$6.5-million slum clearance project.

RA also is planning \$5-million projects for St. Louis and Oakland, comprising 1,000 houses each, and a 500-house development at Bound Brook, N. J., to cost \$3.5 millions. All projects will employ relief labor.

At Hightstown, N. J., the Resettlement Administration has taken over a PWA subsistence homestead project to house New York needle trades workers. The project will include 200 houses built of concrete slabs cast in a plant erected on the site at a cost reported to be 20¢ per sq. ft. of wall. One hundred foundations are in on a project originally designed in concrete more than 2 years ago, then redesigned in wood and later advertised for alternate bids on wood and concrete just before the PWA's loose money was imbedded a year ago to carry direct relief pending enactment of the present billion work relief appropriation. Plans for the Beltsville, Md., project also call for concrete, a hot lumber cement battle is brewing.

Protection for Community

For its "green belt" developments, RA has designed a plan enclosing each community within a verdant strip to protect it from encroachment and blight. Parks and recreation facilities will be located in this green belt. Each will be designed so that the houses encircle a community center. Motor traffic will be diverted to the outer rim and a system of underpass walks will keep children off the streets. Plans at the Maryland project are drawn to provide ample room for expansion while enclosing the community within a protective strip.

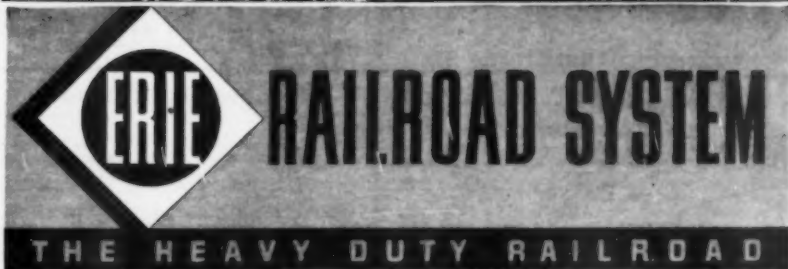
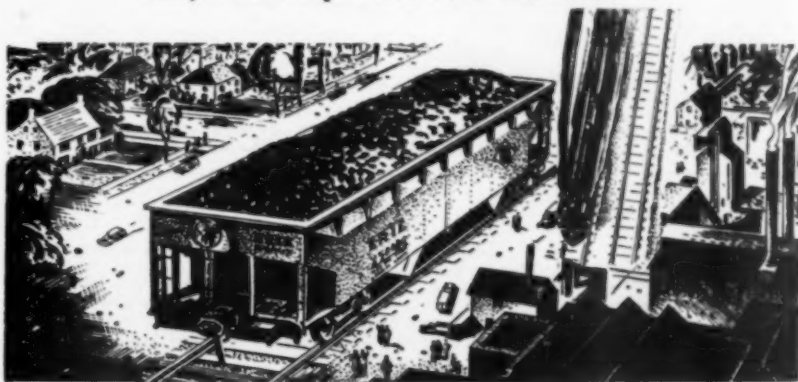


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Sales Treaty

New trade agreement with Colombia gives us concessions on 150 items; promises continued free entry of coffee and bananas. Other "bargaining treaties" are being pushed.

FOREIGN traders eyed Washington thoughtfully this week. The new trade agreement with Colombia is probably the best that has so far been arranged by Secretary Hull in his drive to revise tariffs downward and reopen trade channels on a most-favored-nation basis. At the same time, the old trade pact with Germany—still one of our 10 best customers in spite of German debt defaulting onerous import quotas, and anti-Hitler feeling here—has been allowed to lapse because Germany refused to renew on a most-favored-nation basis. Germans are reliably reported to be sorry now that they terminated the agreement. There is foundation to rumors that the Reich government has approached Washington with new proposals.

Affects 150 Imports

The new Colombian treaty affects 150 items imported from the United States and means that the Bogotá government practically rewrote its entire tariff schedule. It is accepted by exporters as a signal that the State Department is ready to push a number of important pending treaties to completion while Congress is away from Washington. The Colombian treaty becomes effective 30 days after it is proclaimed in both countries. It is expected in Washington that the Colombian congress will endorse the pact within a few weeks.

While Colombia is not one of our largest customers, it is an important one for the United States buys most of its "mild" coffee from Colombia, and takes also important quantities of petroleum and bananas. More than 80% of all Colombia's exports come to the United States, and about 45% of all imports are supplied by this country. Our most important exports are machinery, automobiles, electrical equipment, iron and steel products, textiles, foodstuffs, and chemicals.

The Colombians have lowered duties from 16% to 90% on a long list of imports including lard; canned fruits, vegetables, and meat; tobacco; automobiles; business machines; motion picture equipment; galvanized iron and steel sheets; cotton, silk, and woolen textiles, and hosiery; pharmaceuticals.

Concessions made by the United States on imports of Colombian products are promises not to impose duties on such important items as coffee, bananas, emeralds, and platinum; and duty reductions on a few minor items including castor beans.

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Washington. Trade with Cuba, Belgium, Haiti, and Sweden is already being under new agreements. The accord has been ratified by the house of Brazil's congress, but is held up by the senate until some agreement is reached on the commercial treaty to the United States. Efforts have been made to secure the creation of the Export-Import Bank in Washington in liquidating small obligations owed to Americans by having them paid with government-guaranteed bonds which the American exporters

could discount with the EIB. The negotiators in Washington have been active lately and it is possible that they may be ready soon to announce some agreement.

Most important treaties still pending are with France, Canada, Holland, Switzerland, and Spain. Canadian negotiations are expected to be pushed now that the Dominion election is out of the way. Most of the difficulties in the new French agreement have been ironed out and it may be ready for announcement in the next 2 months.

Canada Votes Down New Deal

Mackenzie King's conservative Liberals win sweeping victory over Dominion new dealers; promise sweeping tariff revisions, and no more "regimentation."

Canadians went to the polls last Monday and overwhelmingly voted to end and to all new deal schemes in Dominion.

B. Bennett's Conservatives (a real hammer, for they have backed the new deal schemes pushed through Parliament this spring) are expected to a back seat in the next parliament, and Mr. Bennett himself to yield the premiership to W. L. Mackenzie King, head of the Liberal party (really the conservatives in the present campaign).

Instead of the muddled result expected up to the day of balloting, the electorate voted in a clear Liberal majority. Canada has rejected price-fixing and marketing boards, and high duties in favor of rugged individualism and the low tariff program of the days before 1930.

The King cabinet is likely to be formed and sworn into office before the end of November. The new Parliament probably be assembled late in January.

Why King Won

King's victory is attributed to 2 factors: inevitable public reaction to a times ministry, and the split in the Conservatives caused by Stevens' creation of a second party—the Reconciliation group. There is also a suggestion that Bennett's idea that "reform" movements should await the start of recovery has made his new deal too late to carry by the discontent that is highest at the bottom of a slump and that his failure to repeat Roosevelt's 1932 success was a portent for Roosevelt in 1936. No candidate offered a vaguer platform than Mackenzie King. He completely stands for tariff revision, with a return to the low tariffs of 1930. He is opposed to the Empire trade agreement, a part of the recent high-tariff

program. He advocates state ownership of the new Central Bank. And he is opposed to amalgamation of the 2 great rail systems. But on almost everything else he is foggy. Except one general principle: He is opposed to the whole Bennett and Stevens program of new deal legislation with its marketing boards, minimum prices, bonuses to farmers, and strict control of trade and industry.

Will Revise Empire Pacts

There will be conflicting business reactions in Canada and in the United States. Most important threat to Canadian business is the prospect that the Empire trade pacts will be revised when they expire next year and that industries which have thrived in Canada under high tariffs will now suffer.

Counterbalancing this, and offering most real encouragement to business in the United States, is the prospect that the pending tariff negotiations with Canada will be reopened now and that tariffs on a wide range of manufactured items will be restored to the lower 1930 levels in return for lower duties on Canadian farm goods entering the United States.

During 1936, Canada is likely to be faced with a series of legal controversies over the constitutionality of the new deal legislation which the Bennett government pushed through Parliament last spring. King has declared that he is not only opposed to the legislation, but that he will question its constitutionality and will oppose all further efforts to carry out various schemes for the regimentation of business as proposed by the committee which worked under Stevens.

One real paradox is the return from Alberta of an almost solid block of Social Credit representatives to parliament. Mackenzie King is a bitter enemy of social credit.

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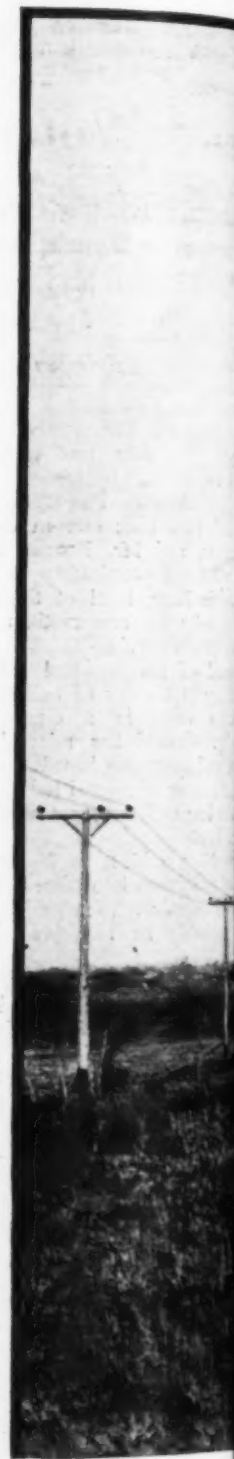
Alert manufacturers will use every means to educate and sell this active market. Advertising in **ELECTRICAL WORLD** will help by educating over 13,000 key buyers on the merits of your products, by increasing the effectiveness of your direct selling effort, by creating recognition and desire for your products, by making it easier for you to **SELL**.

May we help in making 1936 a banner year for you?

ELECTRICAL WORLD

A McGraw-Hill Publication

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Business Abroad

As long as Italy pays cash, no embargo of more than "munitions" will work. Britain is preparing for a November election, with rearmament the big issue. Internal politics are alarming the French. Japan is "making hay" in Oriental markets, the United States in Latin American.

ECONOMIC sanctions won't stop the Italian drive in Ethiopia unless the League is willing to enforce a blockade of Italian ports—and that almost certainly would meet with active resistance from Rome which inevitably would spread trouble.

League members know this week just what is ahead of them if they are going to stifle Mussolini according to the plans laid down in the covenant. In the first place, when they attempted to build up an effective ban on the sale of essential raw materials to the Italians, they discovered that not even all of the League working together can carry this out for some materials. Without cooperation from the United States, for instance, any cotton, oil, or copper embargo is futile. And without German cooperation, members would hardly be able to keep Italy from securing steel, coal, and essential chemicals.

Money Speaks

More serious, however, is the unwillingness of members themselves to cooperate wholeheartedly on this embargo. With some, like Albania, it is an impossibility because Italy completely dominates the country. With others, like Yugoslavia (which would gladly oppose Italy), it is a matter of giving up a market for a quarter of the country's exports. Farmer and factory worker alike would be affected, and the national government could hardly withstand the combined pressure. And with France, it is a combination of wanting to maintain Italian friendship and of fearing the economic repercussions of more unemployment if huge Italian orders (bought with cash) are refused. Back of it all, there is the justifiably selfish feeling that "someone will do the business; why should I give up my share?"

Who Sells to Italy

Germany was the largest supplier of the Italian market during the first half of this year, exports to the Italians running above \$53 millions. The United States was a good second, with total shipments to Italy valued at almost \$39 millions. Britain trailed with \$28 millions, and France with \$17½ millions.

Italy's exports followed a slightly different pattern. Germany was the largest market (largely fruit, olive oil, and hats), took about \$34 millions of Italian products. Britain took only a little more than half as much, and the United States trailed well down the line with \$13½ millions of Italian imports.

Americans Ship Big Orders

Beyond the small list of munitions which our neutrality act makes it illegal to ship to Italy, American products continue to move to Italy in large volume. Exporters in New York admit that business is brisk, declare they have no difficulty in selling for cash, and are

or Genoa at their own risk. Principal items purchased recently are copper, automobiles, and scrap iron. Similar purchases are being made in Paris, London, Moscow, and Berlin.

In its proposals this week, the League is considering an embargo on various raw materials which are produced almost exclusively in League countries. Included in this list are manganese ore (which comes largely from Russia, India, and the Gold Coast in Africa), chromium (British Africa, India, and Russia), tin (British possessions in Malaya), tungsten (China), radium (Belgium), and nickel (Canada).

Japan Is Profiting

There are scattered evidences of the effect of the Italo-Ethiopian crisis. In Japan, shares of the great rayon companies are up on the anticipation that Japan will be able to capture some of Italy's big rayon markets in the East. Shares of Nippon Yusen Kaisha, one of the largest shipping companies in Japan, have advanced from ¥51, at the

making a practice of delivering their goods at New York where Italian authorities arrange shipment to Naples



HOWLAND ISLAND
LATITUDE 0° 49' NORTH
LONGITUDE 176° 43' WEST
THIS ISLAND IS COLONIZED
THIS 30TH DAY OF MARCH
1935 BY AMERICAN CITIZENS
IN THE NAME OF THE UNITED
STATES OF AMERICA
NO TRESPASSING ALLOWED
HARRY L THEISS

ANNEXATION BY PROCLAMATION—Anticipating the possible development of air service to Australia, the Bureau of Air Commerce 8 months ago took steps to consolidate America's claims to Baker, Jarvis, and Howland Islands, lying south and southwest of the Hawaiian Islands and reputedly discovered by Americans in the years 1832, 1835, and 1842 respectively. Though the small, barren coral reefs have been "colonized" by 4 citizens each since March, acknowledgment of our colonial expansion was just made last week. Britain may protest.

beginning of August, to ¥72 in mid-October, all on assumption that Japanese vessels will book many of the cargoes which might normally be carried by one of the numerous British lines operating in the Orient. During the week, Osaka Shosen Kaisha, another great Nipponese shipping company, announced that it would establish a new Yokohama-to-Europe service by way of Capetown and the African ports which have always been considered the "home preserve" of the British.

In Italy, commodity prices are rising sharply. Gains in the commodity index since the first of the year exceed 22%, compared with a gain of 8% in this country, a bare 4% in Great Britain.

Germany

Reich holds aloof in League squabble over sanctions. Influx of Danish butter eases fats shortage.

BERLIN (Cable)—Though England is obviously in dead earnest about economic sanctions, opinion here is skeptical regarding their efficacy, considering Austrian and Hungarian opposition, Swiss reluctance to cooperate, French sabotage of the plan by consistently delaying it, and German aloofness.

It is true that Germany is going to feel the effect of the lapsing of the most-favored-nation clause in the trade agreement with the United States, but the results will be smaller than anticipated by many because business in this country now is regulated far more importantly by the government's foreign trade control system, and by the manipulation of exchange regulations.

The first small rise in unemployment came in September this year, a full month ahead of the seasonal change last year. Security sales by prospective Jewish emigrants is avowedly a new bear factor in the decline on the stock market. The butter shortage is no longer critical because of large shipments received from Denmark.

Great Britain

British prepare for general election in November. Main issue: rearmament.

LONDON (Cable)—All Britain is interested above everything else this week in the question of spanking Signor Mussolini. A dozen harried League members have thrown up a score of reasons for not trying to enforce sanctions, but Britain is determined to do something. The outcome is a question, for there are not a few people in London who realize that Italy may interpret economic sanctions as military sanctions at any time if anything like a blockade is attempted. And that would surely mean war.

Next to the Ethiopian problem, widest interest centers in the coming elections which, it seems now, will be staged in mid-November. England has been expecting a fall election for a long time,

but when trouble first started to brew in the Mediterranean, it was thought they might be delayed.

Issues have changed. Even as recently as 4 months ago, the National government expected to appeal to the people on its recovery record. Today there is only one vital issue—rearmament. On this there is unity among all parties except the Socialists. Their split is the best boost the Baldwin government could ask. Should the Mediterranean situation drag along, the government has more than an even chance to win because of the British attitude that the present crisis developed because the British had allowed others to arm to the point where British force was not respected. If the situation is more tense, the National government is sure to be returned.

France

Internal politics are most disturbing business factor. American cars make good showing at annual Paris salon.

PARIS (Wireless)—France is disturbed over the Ethiopian crisis, but the real reason that business activity is running 10% or more behind last year's records is the internal political situation. Left Wing parties are increasingly active, and are the disturbing influence, though they have no constructive program to offer. Beginning with the elections scheduled for next week, and continuing through the important convention of the Radical-Socialist party on Oct. 24, France is likely to feel more and more the disturbing influence of politics.

The French Automobile Show, which is the biggest automobile fair in Europe, has just closed. All of the French makes and many foreign cars were represented, including Renault, Citroën, Peugeot, Talbot, Hispano Suiza, Voisin, Hotchkiss, and Matford of the French makes; Mercedes-Benz, Maybach, Zeppelin from Germany; Humber, Austin, Rolls-Royce from England; and Ford, Chrysler, DeSoto, Dodge, Plymouth, Buick, Packard, and a few others from the United States.

There was nothing outstanding at the show this year beyond the large number of exhibitors. Peugeot probably attracted as wide interest as anyone with the new automatic gear shift and extreme streamlining. The new gear box is an electro-magnetic planetary gear controlled by a 4-contact switch, of the Cotal type. Additional cost of the automatic shift is about \$350.

French Fords on Market

Another novelty which attracted attention was the new Matford cars, which are being marketed under the trade name of "Alsace." This is the new car being made in France by the recently merged Ford and Mathis interests. An increasing number of parts are being made in this country. Various V-8 models range in horsepower from 13 to 21, which fits the demand of the French market.

Soviet Union

Foreign companies expected to establish Moscow offices; Soviets announce tax and legal regulations. New rationalization technique is tried.

MOSCOW (Cable)—Moscow is anticipating an unprecedented influx of representatives of foreign firms this winter. Expectation is based on the fact that a recent decree makes it possible for individual import, export, and transport trusts in Russia to deal directly with foreign firms.

In anticipation of this influx, the law of 1931, heretofore not enforced, will be put into effect. This law requires that foreign firms doing business within the Soviet Union maintain registered representatives here. Their books are to be open for inspection by the Commissariat of Finance for assessment of taxes, at rates not yet made public. In addition, representatives will be called upon to pay personal income taxes.

The new regulation applies only to those in Russia on a permanent basis. It does not affect business men in the Soviet Union for a month on a tourist visa. It is understood that there will be some flexibility in regard to the extension of such temporary stays.

Brokers Not Wanted

Brokers and commission agents are viewed with disfavor here. To avoid middlemen, the Kremlin is refusing visas to all but accredited representatives of individual foreign firms.

Executives abroad should note that disputes arising out of contracts entered into on Soviet soil will be litigated here. In this connection, a responsible official of the Commissariat of Foreign Trade emphasized the fairness of Soviet arbitration courts, and assured your correspondent that the rights of foreign firms will be accorded the same consideration as is extended by the courts to Soviet agencies abroad.

Determined not to rest on its laurels, Soviet industry has increased its output 25% this year. A countrywide campaign for increased efficiency is now in full swing.

Russian Workers Develop Skill

The Soviets, masters at the art of propaganda, have popularized the outstanding efforts of a young mining engineer in the field of rationalization. Stakhanov, a miner in the Donbas, found that by proper distribution of his labor so that the available pneumatic drills could be in constant use he could increase the output of his unit 20-fold. This has spread rapidly to other mines, and while the average production of a miner on a 6-hour shift only a month ago was 7 tons, many now produce 240 tons. The lag in this industry which threatened to affect other industries dependent on coal for fuel is now wiped out. Emulating the coal industry, workers on shoes, textiles, tractors, and automobiles, are rapidly introducing "Stakhanism," with leaders in the movement of setting up new production records hailed as "Heroes of Labor."



PARIS DEBUT—Last week's automobile show in Paris launched the new motor season abroad; this week, exhibitors move to London. American manufacturers, whose European business was up sharply last year, were well represented. Feature of the Paris exhibition was the new Matford "Alsace," made by Ford's recently organized French subsidiary.

No change has been made in the piecework system of payment, in spite of the marked increase in output. As a result, some of the most adept workers are now earning in one 6-hour shift the equivalent of a professor's monthly salary, which is about 500 rubles. This can't continue indefinitely, of course, and piecework rates are undoubtedly due shortly for an overhauling.

The Russian worker, who has been getting a poor figure in comparison with the American worker, is now called upon to reach and surpass him. With the appeal to the workers, based on the fact that they will ultimately reap the benefits of increased production, pushed by the Bolsheviks who are masters of the art of propaganda, it is reasonable to assume that the campaign will succeed and the country's production in many lines will exceed the goal of the government planning commission.

Latin America

Exporters uncover big gains in Latin American orders. General Motors will assemble in new Mexico City plant.

Our trade with the countries to the south of the Rio Grande is showing steady gains on both exports and imports. For the first 8 months of this year our shippers sent goods to our southern neighbors at a value of \$247 millions, a gain of \$30 millions over the same 1934 period. This year's 8 months' exports are equal to the entire 1933 orders. Our imports are up \$97 millions. Exchange conditions are improving and many contracts have been modified.

Our exports to Cuba are recording the greatest gains, according to a study

made by the American Manufacturers Export Association. The reciprocal trade agreement between the 2 countries is largely responsible for the improvement of \$11 millions in our shipments during the first 8 months. Mexico is second, showing an \$8 million increase in her purchases from us. Our silver purchasing policies have undoubtedly benefited Mexico and enabled her to buy more of our products. Argentina, although practicing exchange policies harmful to some of our competitive goods, is third in gains, with an expansion of \$5 millions.

Our imports are helping Latin American nations to get on their feet again economically. Largest gain this year was \$48 millions for Cuba. Imports from the Argentine were up \$26 millions; from Brazil \$7 millions; from Mexico \$3 millions.

Where Markets Are Better

Recent reports from the members of the American Manufacturers Export Association show that many classes of goods are enjoying expansions in the southern markets of this hemisphere. Automobiles, parts, and accessories are in wide demand in Argentina, Mexico, Brazil, Chile, Peru, and Venezuela. Confectionery exporters report especially large gains in Argentina, Brazil, Colombia, and Cuba. Colombia, Cuba, and Mexico are taking more of our felts. Engineering specialties are going to Argentina, Cuba, Colombia, Mexico, and Puerto Rico. Paints and varnishes are being purchased in larger amounts in this country by Argentina, Colombia, Cuba, and Mexico. Office machines and equipment are reporting increases generally throughout South America.

Another indication of United States business expansion south of the Rio Grande comes this week from Mexico. John Vavasour Noel, in his dependable

Mexican News Digest, reports the announcement in Mexico City that General Motors will build immediately a large assembly plant in the capital (Ford already assembles in Mexico), and adds:

Mexico Welcomes Foreign Capital

"At an interview with the representatives of General Motors, who laid their plans before him, General Rafael Sanchez Tapia, Secretary of National Economy, stated, as President Cardenas has done, that foreign capital would be welcome in Mexico under existing laws. No doubt there is plenty of capital available both in the United States and in Europe and there are also some splendid opportunities for its profitable investment here. It will no doubt come to help build up this country as soon as certain economic realities are better understood and relations between capital and labor clarified, toward which much progress is being made. The well-justified nationalistic policy of the government, its desire to control its own wealth and dominate its economic life and further laudable aim to raise the standard of living must be tempered by a practical consideration of the difficulties of taking drastic steps that will react on the very classes it aims to protect."

Far East

Japan and Russia will settle border clash peacefully. China reluctantly accepts Japanese "cooperation."

CLASHES between Japanese and Soviet armies along the Manchukuo-Siberia border are not likely to develop into war. Neither side is ready to fight now. Japan will wait until the Soviets are involved in a major struggle in Europe before going after the tongue of Soviet territory which stretches down to Vladivostok and "threatens the very heart of our country." Russia will wait until she is attacked.

A new cooperation is developing between Tokyo and Nanking. It is not voluntary on the part of the Chinese. They have abandoned hope of the only support which could prevent it—from Europe (especially Britain) and from the United States. Two Chinese trade missions are now in Japan, and a third—representing the steel industry—will leave soon for Osaka.

Nipponese officials have evidently decided that it is cheaper and less dangerous to "dominate" in China rather than set up more "independent" states. No move has been made formally to separate North China from the control of the central government at Nanking, but Japan is virtually in control of the region without having to foot any of the bills except for its armed police force. Long before Manchukuo begins to return a profit, Japan will be collecting fat profits from mining concessions, rail projects, retail business, and from loans in this densely populated region. It is potentially one of the richest markets in the world, and it is ready to be worked for quick profits.

Money and the Markets

Stocks rise because of Gay's inflation warning and a greater confidence that business is on the upgrade. New bond offerings succeed brilliantly, and commodity markets are alert despite smaller war influence.

LIKE Bert Williams' Negro preacher, the financial district had other things to think about this week to replace the waning influence of war news on prices.

President Gay of the New York Stock Exchange started a baby boom by voicing fears of what speculators might do if easy money were continually pressed on them. Bond markets not only were gratified by the completion of the government bond offering after a slow start, but were roused to excitement by a sequence of spectacular new offering successes.

Although commodity trading quieted down and prices tended to sag here and there as speculative fervor waited for new foreign developments, the atmosphere remained surcharged with expectancy, because prices can be quickly affected by the Supreme Court decisions, growing demand by consumers and industries, some close supply situations, and the omnipresent inflationary possibilities.

General Stock Advance

Increasing confidence in the business outlook helped stocks to advance almost indiscriminately early this week, in the semblance of a real bull movement. Public participation was reported on the rise. Trading settled down at midweek and buyers were choosier.

The usual pre-show interest in motor and accessory stocks was apparent, but stocks of merchandising, amusement, steel, and farm and electrical equipment companies shared the operators' favor in the broadest market that has prevailed for a long time. Even the railroads got in on the tail-end.

Gold continues to pour in from Eu-

rope, but the leading foreign currencies developed steadiness. There were even echoes of the almost forgotten stabilization conversations of months ago, because Secretary Morgenthau in Paris reaffirmed the willingness of the United States to join Europe whenever other nations are ready to talk stabilization. Sword-clanking was still loud enough to drown out the policy statements of Morgenthau and Governor Tannery of the Bank of France. Everyone remembers that England is the key to stabilization as well as the war question-mark.

Joy in Bonds

Dealers elated as several issues go to premiums. Morgan Stanley pioneers with real advertisement.

BOND dealers were actually developing a 1929 atmosphere this week, while stock traders were dreaming of the incipient boom they are being warned about.

With a flood of new issues going "out the window" (and they are reverting to such 1929 language in bond circles) the investment crowd has completely recovered from the buck-fever contracted from high prices last summer.

Dayton Power & Light's \$55 million 3½s, Anaconda's \$55 million 4½s, and Illinois Bell's \$45 million 3½s, which headlined the week's offerings, immediately went to premiums. The telephone bonds moved up from an offering price basis of 3.37% to 3.32% in the first few hours of trading.

A few choice utility and industrial bonds of short- and even medium-term duration have broken the 3% yield base usually considered reserved by tax-exempt securities. Among some of the recently issued bonds there are generous profits. Republic Steel 4½s, offered at par in September, are up to a 4.12% basis. Armstrong Cork 4s, sold in July at par, currently yield 3.60%. Swift & Co. 3½s, sold last March at par, command a 4-point premium. And so on.

Publishers were jubilant this week when the new bond house of Morgan Stanley & Co. really advertised an issue—in other words, bought space enough to say something more than that prospective investors could learn about the Illinois Bell bonds by inquiring. Investors, too, are expected to appreciate this departure in offerings of regulated securities. SEC has been urging it.

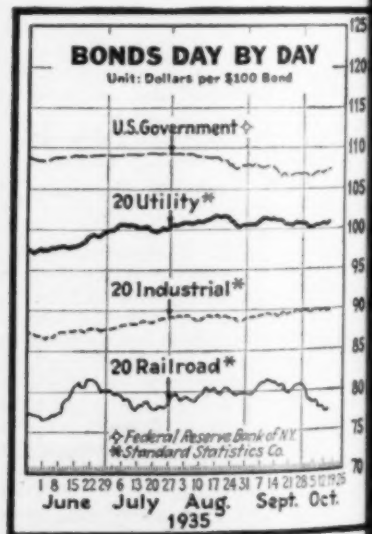
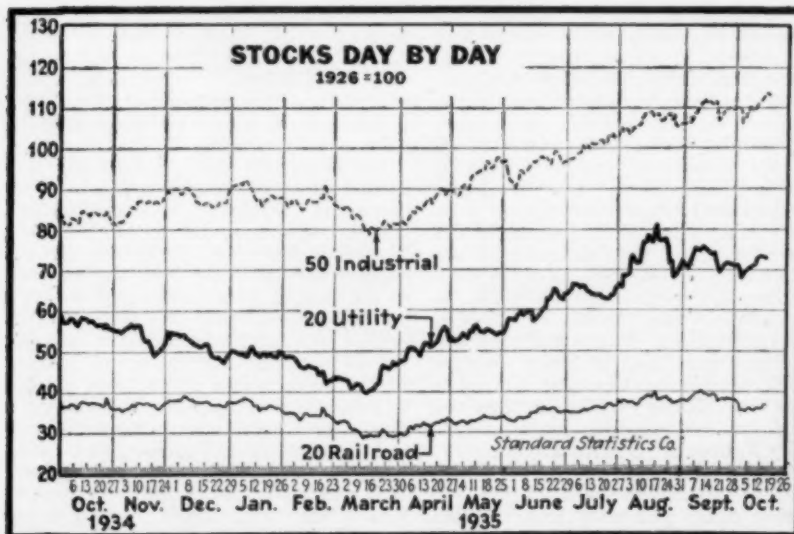
The ad looks much like pre-Security Act circulars, except that here and there it refers to fuller information contained in the prospectus, and declares that the investor must take that voluminous document if he wants to buy the bonds whether or not he reads it.

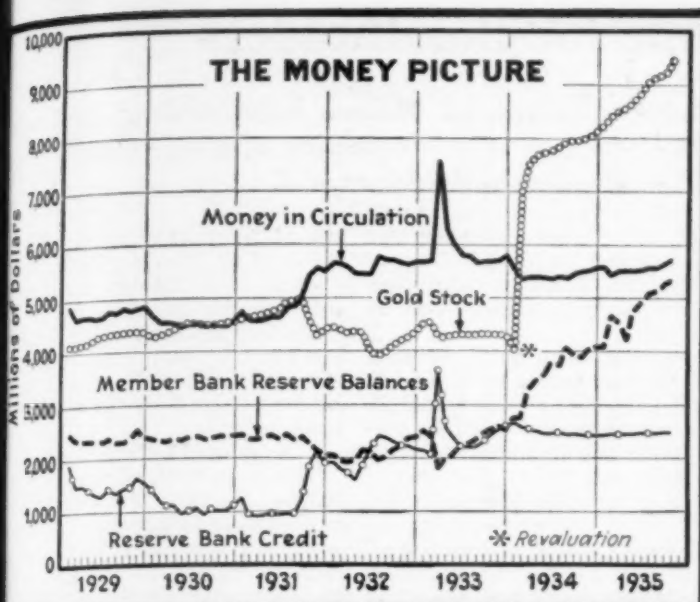
Commodities Calmer

Metals drop because of less speculation abroad. Grains nervous of Canadian election. Rubber, silk and hides are strong.

COMMODITY markets this week lacked the stimulation of heavy speculation abroad. Trading overseas lost much of its recent intensity.

Metals were a notable example. Copper buying dropped off, and foreign quotations fell below 9¢ again, although copper held steady at 9½¢ here. The tight situation in stocks of tin in London was relieved by emergency shipments. Concern over tin supplies was eased by reports that the control committee is to meet Wednesday, presumably to raise production quotas 5% on top of the





Van Sweringens Gain

Court ruling allows control of Alleghany. Also arbitrators end long dispute over stock price.

THE Van Sweringens' new Midamerica Corp. is about to get out of court one of the properties it recently acquired from the Morgan auction block. Alleghany Corp., apex of the Vans' railroad superstructure, was assured prompt discharge from a 77-B bankruptcy when the Supreme Court this week refused to review decisions of lower courts approving the plan of reorganization for the company.

At the same time the court ruling helped the arbitrators clear up that "when-issued" Alleghany stock wrangle that has been raging in Wall Street almost a year (*EW-Sep 14 '35*). The American Arbitration Association committee decided the "when-issued" buyers got near enough what their confirmation called for to bind the deal.

The buyers had contended that stock issued under a court plan was different from the same stock accepted voluntarily in exchange for bonds, as originally proposed. They paid around 30 for the stock, which is now worth only half that much.

RCA Sells RKO

Atlas-Lehman combination buys control. Congressman says financial giants are battling to dominate the movies.

ANOTHER act in the unfolding drama of movie reorganizations was played this week when Floyd Odlum's Atlas Corp. and Lehman Brothers took over the controlling interest of the Radio-Keith-Orpheum Corp. from the Radio Corporation of America. The Atlas-Lehman group have a slice of Paramount-Public, and recently got that picture giant back on its feet financially.

The financial district wonders if the two companies will be combined after RKO comes out of the court's hands.

Representative Adolph J. Sabath of Chicago tried to interpret the movie reorganizations as a series of intrigues when the Paramount reorganization was up before his investigating committee this week. He said financial giants were struggling to dominate the picture business. It was acknowledged he had a potential colossus for one rôle in the Odlum-Lehman combination, but it was questioned whether his other character would stand up. For it he proposed a composite of Metro-Goldwyn-Mayer, Radio Corp., and Morgan. This conception was believed to lack something in realism.

Radio Corp. will realize about \$15 millions from the RKO sale. Holders of Radio B preferred hope to get a back dividend check of about the same amount out of the deal, but the management indicated that its \$4-million debentures will be paid off first.

...ent 5% increase. Strait tin was off from its recent high here. Grains were not affected by the new report. About 100 million bu. of wheat than last year will bring prices close to normal consumption. Grains will be 13% below normal, but livestock to be fed is down in about the same proportion. The change in the Canadian government gave wheat a jolt. A freer marketing policy is urged.

Grain Privileges Reinstated

Board of Trade members hope the relaxation in margin requirements and the resumption of trading in daily commodities will help to revive speculative business, but they have no startling bull-sales talk now that good weather is starting the new crop off well. Rubber, silk, and hides have all been strong, because of rising consumption. Hide people are looking for an advance in shoe prices that should boost hides further, and they also note the persistent high levels for steers, as against seasonal decline in hog prices. While rubber and silk are in greater demand, the British are tightening rubber controls, and the Japan cocoon crop shortage has strengthened the regulation of silk.

AAA Seeks Ruling

Wants early decision on processing taxes, but promises cotton regardless of court. Sugar traders are anxious.

AAA is getting anxious to know its fate from the Supreme Court. Government lawyers are trying to get the Hoosac Mills case, which is expected to cover constitutionality of the processing taxes, moved up on the calendar for argument in November. A pinched pocketbook is one reason

for AAA's urge to have a showdown. Because of injunctions against collections, processing tax revenues in August and September dropped to \$15 millions monthly—about \$25 millions short of enough to cover benefit payments to farmers.

If the court rules against the government in the Hoosac case without passing on the AAA amendments recently enacted by Congress, it may be necessary to have a second court test. AAA wants an end of the uncertainty.

This litigation is not so important to the commodity markets now as it was before war and inflation pushed it into the background. But sugar traders are up in the air about controls in their staple, particularly as some adjustment is necessary in any event. All but 5% of quotas to insular producing areas were consumed in 9 months, and domestic production seems unlikely to fill the gap. AAA is trying to stretch the beet sugar output by reallocating quotas, taking from processors whose production is below their quotas and giving to those whose production is above.

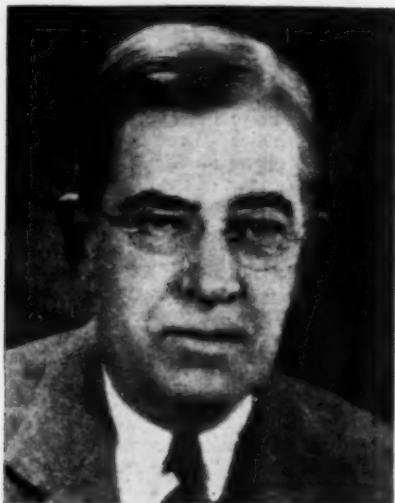
New Cotton Subsidy Plan

Cotton interests are feeling better, now that domestic and foreign consumption are on the rise; but the whole textile trade is trying to wheedle an export subsidy plan for cotton goods out of Washington. AAA promises cotton growers a 4-year voluntary crop control and subsidy plan even if the processing taxes are held illegal.

The forthcoming farmer referendum on the corn-hog program for next year is becoming a major political fight. AAA officials and representatives are stumping the corn belt.

One AAA campaigner among the farmers declared the issue involved economic, political, social, and legal consequences. Apparently he thought the results of the farmers' voting would even reach the ears of the Supreme Court Justices.

He Bought to Save



S. E. Miller, President, The Miller-Bryant-Pierce Co. Manufacturers of Inked Ribbons and Carbon Papers, Aurora, Illinois.

**"Iron Fireman
cut our fuel costs
\$1830 a year"**

says S. E. Miller



Total fuel cost savings of \$14,640 in 8 years (\$1830 a year) is the thrift record of an Iron Fireman automatic coal burner installation at The Miller-Bryant-Pierce Co., Aurora, Illinois.

"During the eight year period," writes Mr. Miller, president, "Iron Fireman has been in almost constant operation day and night and has given entire satisfaction. Fuel savings over hand-firing have been 40% or \$1830 annually. To this may be added higher efficiency in uniform heating and elimination of smoke nuisance."

Mr. Miller's experience is typical of thousands of business men who are profiting from Iron Fireman operation in their boiler rooms. If you are not familiar with the Iron Fireman story of better heat or power for less money, just ask for a free firing survey and report on what Iron Fireman can do for you. Models for commercial boilers up to 300 h.p. and for homes. Quickly installed. Easy terms of payment. Write to 3204 W. 106th Street, Cleveland, Ohio. Iron Fireman Manufacturing Company, Portland, Oregon; Cleveland, Ohio; Toronto, Canada. Dealers everywhere.

Right: Iron Fireman automatic coal burner installation in a commercial boiler. Below: Plant of The Miller-Bryant-Pierce Co., Aurora, Illinois.



IRON FIREMAN
AUTOMATIC COAL FIRING

Hope for Bondholders

SEC investigation of various bondholders' protective committees may speed formation of single official council like 60-year-old British model.

DURING the decade following the World War and preceding the depression, American investors lent various Latin American governments a total of \$1.5 billions.

Since the depression, practically all of these loans have gone into default. In some cases, the houses which backed the original issue attempted to advise scattered holders but in general the situation was a mess.

Suddenly, out of the depths of the depression, there began to spring up "bondholders' protective committees." Some of them had the encouragement, if nothing more, of the bank which had underwritten the issue. Some of them were nothing but self-appointed groups which solicited a fee from bondholders when the latter deposited their bonds, and asked for a fixed percentage of whatever they were able to recover.

Often bondholders were solicited by 3 or 4 different committees. There are no official counts on the number of committees which have attempted to protect holders of Chilean, or Brazilian, or Colombian bonds, but they are estimated to have exceeded 20, and it is said that as many as 6 different committees have attempted to act in the Colombian matter.

The whole situation climbed into the limelight last week when SEC commenced an investigation of the Bond-

holders' Protective Committee of the Republic of El Salvador. More than \$7 millions of El Salvador bonds are in default in this country.

The investigation has just begun but it is likely to involve many of the other committees before it is finished, including the Foreign Bondholders' Protective Council, Inc.

Suggested by Washington

This group comes as near having official backing from Washington as any in the country. It was formed after a dozen men prominent in the banking business and the law had been invited to Washington by the Secretaries of State and Treasury, and by the then chairman of the Federal Trade Commission. Definite aim of Washington was to set up in this country an official central organization to assist in protecting the interests of holders of bonds issued or guaranteed by foreign governments which have been publicly offered in the United States and on which defaults exist or are threatened. It was obviously intended to copy the British Council, formed 60 years ago, and the French Council, over 25 years old.

The FBPC is not a government agency. It simply has the encouragement of the government in carrying out a job that badly needs to be centralized. Out of the hearings may come an urge to merge all the protective groups into one.



FOREIGN BOND POST MORTEM—Affairs of El Salvador Bondholders Committee were explained to W. O. Douglas, SEC investigator (right), and his assistants Samuel Clark (left), by committee members F. E. Lober, F. J. Lisman, Fred Lavis, and Montgomery Schuyler and their lawyer, Raoul E. Desvernine (seated left to right). Members received \$80,250 in fees.

Editorially Speaking—

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INESS WEEK

cars have taken a lot of punishment and probably would stand up at their accustomed angle under the motor-conditions that would ensue if the automobile manufacturers followed the suggestion of a county clerk who wants them to equip cars with whistles that will blow shrilly when the cars reach a speed of 45 or 50 miles an hour.

He thinks most drivers don't know it when they're doing that much, and as soon as they hear the whistle they'll gradually slow down. But very likely they wouldn't be able to tell their own whistle from the hundreds of others going full blast all around them.

We hear from Detroit that three recent arguments have convinced the automobile industry that the public is in a buying mood. One was the huge gate at the St. Louis fight; the second was the roaring success of the World Series; the third and most recent is the news that the two latest musical shows to open in New York are filling every seat and selling standing-room, even at midweek matinees.

Detroit knows who buys tickets for the big New York shows. It's the out-of-town owners, the typical American business man and his womenfolk. When they crowd into a show, the speculators invest in it, reserving the choice seats for later resale. Show business in New York is good this season. That's a sign of a general business pickup in the country.

GOVERNOR HOFFMAN of New Jersey wants all acts of Congress submitted to the Supreme Court for a decision on their constitutionality before they become effective. If that scheme had been applied in March of 1933, Congress and the President couldn't have acted promptly to reopen the banks and end the panic, because the court would have taken a few weeks to analyze all the emergency legislation. And if the scheme were applied now, the court would be up to its neck in the job of reviewing 840 acts of the first session of the recent Congress. The court would never be able to perform this duty competently, even if it abandoned all its other work.

One can say almost anything with a bright face and a scowl and you won't be laughed at. Mussolini issued a ringing statement at just about the time he was starting his war. He denounced Ethiopian aggression, which had been going on, he said, in two ways: first, the Ethiopians had mobilized their army; second, they had proclaimed a neutral zone and withdrawn their troops 18 miles inside their own borders. Indig-

nant and horrified, Mussolini thundered at the aggressors in his most eloquent rhetoric. And by mere manner he saved himself from the only suitable reply to his ridiculous thunderings. For though many people fulminated against him with an indignation equal to his own, apparently there was hardly anyone in the whole world who just rocked back on his heels and laughed himself hoarse.

ALTHOUGH it's probable that every bar association in the country is overwhelmingly opposed to the New Deal, we now find the Philadelphia Bar Association committed to a local application of a particularly drastic New Deal policy. The association has voted to submit plans to the Board of Judges for limiting the number of lawyers in Philadelphia.

This is a policy of scarcity. It's an exact parallel to the plowing under of crops by the AAA. We grant that lawyers are court officers and that a limitation of lawyers may therefore be supported on grounds of public policy. But that isn't the motive of the Philadelphia lawyers. They've found that 69 lawyers are on the county relief rolls, and they want to make it easier for the average lawyer to earn a living. The same motive would justify a limitation of the number of doctors, dentists, druggists, butchers, and bakers.

A LOT of good work has been done by the Bureau of Standards of the Department of Commerce, but sometimes it runs full force into Dame Fashion, and then it has to back up a long way. In May of 1934, at the request of the National Outerwear Association, the bureau issued a recommended commercial standard for worsted rib knitted bathing suits. Many manufacturers accepted it. But popular taste suddenly turned to the next-to-nothing style, and now our Washington office sends us a glum announcement by the bureau.

"The type of bathing suits covered by the recommended standard now represents less than 5% of the industry's production," the bureau says, and so it withdraws its recommendation and decides it will do nothing till the manufacturers ask it "to establish standards for the more popular types." But by that time the most popular type may be Sally Rand's.

LOUIS HOWE is still sick and unable to exercise his accustomed authority at the White House, but in the absence of anybody else with a sense of what the people are feeling, why doesn't Charley Michelson step in and insist that Papa Roosevelt take their cars away from most of his family?

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OCTOBER 19, 1935

Peace, War, and Trade

The peace and prosperity of the American people are affected by the issues arising from the Italo-Ethiopian War. It is necessary to look ahead, perceiving the possible paths we may take, and firmly holding back from any hasty and impetuous choice.

President Roosevelt obviously does wish to cooperate—but cooperate discreetly and safely—with the League in applying pressure on Italy for a termination of the war. So do the people. Our formal policy is neutrality; but it is subject on the one hand to our desire to curb Mussolini as a breaker of the peace, and on the other to the pressure of our producers of basic commodities, who will object with increasing vigor and indignation if our neutrality policy keeps them from selling their goods.

In a sense, the present Administration is pursuing the course of its predecessors. Secretary of State Stimson wrote energetic notes to Japan when she violated the Kellogg-Briand Peace Pact by fighting an undeclared war on China. Mr. Stimson got no cooperation from Britain, because Japan was much more powerful than Italy is and because the Japanese invasion of Manchuria did not immediately threaten British interests.

It is different with the Italian invasion of Ethiopia. For months the British underestimated the strength of Mussolini's determination, and Mussolini equally underestimated the British resistance to his aims. As Mussolini continued his war preparations, the British government hoped we would repeat the protest we had made to Japan.

But we had learned our lesson. Though the Pact of Paris bears the name of one of our former Secretaries of State, Mr. Kellogg, there is no reason why we should take the lead in protesting against its violation. We relinquished that unwelcome honor to Britain, as the great Power whose interests were most vitally jeopardized by Mussolini's course. Reluctantly, but with cumulative effect, Britain has acted.

Under British leadership, the League of Nations has set out on a program which, if carried to its logical conclusion, will cause an embargo on all exports to Italy, while encouraging a rich flow of essential goods to Ethiopia. We, on the other hand,

will sell no "implements of war" to either of the combatants. And, going farther, the President urges American citizens to abstain from traveling on the ships of either combatant, and from trading with either. But as Ethiopia has no ships, nor any trade with us, the Rooseveltian policy is injurious to Italy alone. And, if logically extended by Congress, it will lead to a complete embargo on the sale to Italy of any goods that may sustain her in the war.

Behind our neutrality policy is the national peace sentiment, stronger than it has ever been in our history. It may prove powerful enough to prevent the sale to Italy of iron, machinery, and scrap, because there is not much political force behind these commodities. But what of copper, lard, and cotton? Is it likely that our millions of farmers and miners will tolerate a policy that seriously injures them? And if Britain is finally drawn into the war, will we hold fast to our neutrality policy and sell no essential goods to her and her allies, despite the havoc to our foreign trade?

No man can yet answer these questions, for they will be decided by contrary tides of popular sentiment. But meanwhile all responsible men must do their utmost to think ahead and to follow the counsels of reason.

Inevitable Inflation And Means to Control It

Our economist develops elsewhere in this issue the potentialities of inflation in our banking system as it stands today. He shows that if the monetary gold of this country were used in the normal way as the basis of new bank credit and only to the extent that gold was used in 1929, we could multiply bank loans and investments almost 6 times and reach a total of more than \$268 billions without violating any of the rules of legal reserve.

When the normal potentialities of our credit structure are measured in such astronomical figures, one wonders what induces fantastic schemes for monetary expansion such as introduced the last session of Congress and probably will intrigue the next. In these circumstances, inflation seems inevitable. Our only serious problem is whether our natural checks and balances and the men authorized by law to control such things can be trusted to see that when inflation does come, it will not move too fast or go too far.

The economist points out the ways in which bank inflation might logically manifest itself. He shows us that not one of them gives promise of any early movement of violent proportions.

Several other forces are working in the same direction, beginning with the timidity of business and the disinclination of the public to gamble and ending with the controls available under strict regulation by new and reinforced federal agencies.

Of these the Federal Reserve Board and the Security and Exchange Commission should be the most potent. The degree of dependence we can put on the first cannot be determined until the entire personnel of the new board is announced. One of the most reassuring factors in the business world today is the constructive and cooperative attitude being shown by the SEC, first under the leadership of Joseph P. Kennedy and now that James M. Landis has become its chairman.

Mr. Landis was a New Deal college professor who advocated a drastic Securities Act, but if he ever had any witch-hunting tendencies he seems to have abandoned them. He is properly intent upon removing fraud from financial operations and seems to enjoy practical success at the business. At the same time, he has manifested a constructive concern in the restoration of prosperity by reviving the capital market. Even as the Securities Act now stands it could be a destructive instrument in the hands of a gleeful reformer bent on punitive regulation. Mr. Landis gives every promise of directing the influence of the Board along those constructive lines which can do much to stimulate the investment market while forefending against inflation.

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